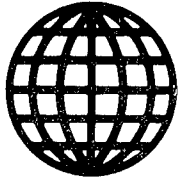


243101

JPRS-CRF-88-006  
4 MARCH 1988



**FOREIGN  
BROADCAST  
INFORMATION  
SERVICE**

# ***JPRS Report***

## **China**

***RED FLAG***

No 23, 1 December 1987

**DISTRIBUTION STATEMENT A**  
Approved for Public Release  
Distribution Unlimited

20000120 037

REPRODUCED BY  
NATIONAL TECHNICAL  
INFORMATION SERVICE  
U.S. DEPARTMENT OF COMMERCE  
SPRINGFIELD, VA. 22161

~~CONFIDENTIAL~~

# China

## RED FLAG

No 23, 1 December 1987

JPRS-CRF-88-006

CONTENTS

4 MARCH 1988

On the Separation of Party and Government—Part of a Speech at the Preparatory Meeting for the 7th Plenary Session of the 12th CPC Central Committee on 14 October 1987 [Zhao Ziyang] .....	1
Written Conversation on Separation of Party From Government Functions by Provincial Party Secretaries [Yang Rudai, et al] .....	3
Reform and Opening Are Promoting the Development of China's Economic Relations and Trade With Foreign Countries [Zheng Tuobin] .....	16
Probing the Reform of the Housing System in Towns and Cities [Yu Zhengsheng] .....	20
A Good Book of Great Academic Significance—Thoughts on Reading 'Rural Areas in China Before Liberation' [Sun Xiaocun] .....	24
'Lectures on Socialist Commodity Economy' Must Be Scientific and Rigorous, and Easy To Understand [Hu Jun] .....	25
An Assessment of 'Quantitative Historiography' [Ma Xueping] .....	26
Why Is It Said That Socialist Structural Reform Is One More Revolution in Terms of the Breadth and Depth of Social Change That It Has Induced? [Song Tingming] .....	32
Why Is It That China Can Embark on the Socialist Road Without Going Through the Stage of Fully Developed Capitalism, But Cannot Bypass the Initial Stage of Socialism Without Going Through Tremendous Development of the Productive Forces? [Zhang Wenkui] .....	34
Four Historical Social and Economic Changes Since the Third Plenary Session [Zhao Zhongsan] .....	35
Honesty Is a Scientist's Virtue [Zhang Xijin] .....	37
Ninth Lecture of the Forum on Socialist Commodity Economy: Production Costs of Products of Socialist Enterprises [Zheng Zhixiao] .....	38
Discussing 'Scramble for Power' [Zhang Yusheng] .....	41
Luxuriant Hills on the Edge of the Wilderness—Reading the Novel 'Aeolian Bells on an Ancient Pagoda' [Gu Xiang] .....	42
A Bundle of Brilliant Flowers—A Review of Contemporary Prints [Wang Wei, Guo Xingyuan] .....	43

**RED FLAG**

**No 23, 1 December 1987**

[Translation of the semimonthly theoretical journal HONGQI of the Central Committee of the Communist Party of China published in Beijing; boldface passages as published]

**On the Separation of Party and Government—  
Part of a Speech at the Preparatory Meeting for  
the 7th Plenary Session of the 12th CPC Central  
Committee on 14 October 1987**

*OW261320 Beijing HONGQI [RED FLAG] in Chinese  
No 23, 1 Dec 87 pp 2-4*

[Speech by Zhao Ziyang]

[Text] Here, I want to focus on the question of separation of party and government, because this is the primary key to political structural reform.

This is one of the contents of the "13th Party Congress Report" and also of the "General Ideas on Political Structural Reform" which are among the documents to be examined by this plenary session. Reform of the political structure is first of all a reform of the leadership structure. If there is no separation of party and government and the problem of having the party replace the government is not resolved, there is no way of getting this entire political structural reform under way. I want to explain a few points before the plenary session discusses these two documents.

Many socialist countries are now stressing political structural reform. All socialist countries undertaking political structural reform have without exception proposed that it is necessary to overcome the defect of lack of separation between party and government and to bring into full play the role of the political power organs. It appears that separation of party and government is a great tide in socialist countries. It is imperative to carry out this reform; it must be undertaken sooner or later. It is also necessary to point out that China is one of the socialist countries most seriously afflicted by lack of separation of party and government. Let's bypass the situation at the central level and the levels in the localities. To say the least, other socialist countries have for many years practiced a system of the administrative chief assuming full responsibility in the grass roots and in enterprises and institutions; while there is not much difference between the party committees of their enterprises and institutions and the party committees of our organs, since they exercise the functions of guarantee and supervision. In China, however, apart from a very short period shortly after liberation when the plant manager responsibility system was practiced in the northeast and certain other areas, since the latter part of the 1950s, we have consistently stressed the centralized leadership of the party committees over the enterprises and institutions, and have even regarded the question of whether or

not this is acknowledged as a yardstick for supporting or opposing party leadership. Every time we undertook a campaign, this setup was strengthened, to the extent that the party committees monopolized many administrative matters; in addition, large administrative organs were correspondingly set up, staffed with many cadres divorced from production. Therefore, as far as our comrades are concerned, to advance from centralized leadership to separation of party and government means taking quite a big turn. It is therefore essential to make a sufficient estimate and full mental preparations.

Proposing separation of party and government now represents a major reform in our party's leadership setup. Separation of party and government involves aspects at the central, local, and grass-roots levels. 1) The CPC Central Committee should exercise political leadership over all aspects of work, that is, leadership in political principles and orientation and in major policy decisions in domestic and foreign affairs, the economy, national defense and so on. It should also recommend the major cadres for the central state organs. 2) The party committees of the provinces, cities, and counties should exercise political leadership in their localities under the premise of carrying out the unified line of the CPC Central Committee and the unified government decrees of the state. Five duties have been specifically laid down in this respect. (Editor's note: These five duties are as follows: I) Carry out the instructions of the central authorities and the upper-level party organizations; II) ensure the implementation in their localities of the instructions of the State Council and the upper-level government; III) propose policy decisions on major local issues; IV) recommend the major cadres for the local political power organs; and V) coordinate the activities of organizations of all types in their localities.) 3) It has been decided that consideration of the separation of party and government at township and town levels will be deliberately put off until after relationships have been smoothed out at the county level. 4) All enterprise party committees of institutions should gradually play a supervisory and guaranteeing role. The party committees of institutions should gradually change their functions along with the institution of the responsibility system for the administrative chief, and play a supervisory and guaranteeing role. It appears that there will not be any great difficulties at the central level. The CPC Central Committee now has no departments of industry, finance and trade, culture and education and so on, as counterparts to the government. What needs to be done in the future is to gradually abolish the party groups in the government ministries. Agenda raised by the State Council for policy-making by the Political Bureau or its Standing Committee should no longer be "filtered" by the Central Secretariat. At the same time we must also pay attention to improving leadership and work methods. In the past all levels in the localities set up certain organs as counterparts to the government, and also assigned some industrial secretaries, agricultural secretaries, standing committee members in charge of finance and trade or culture and education, and so on. They

monopolized government work to a greater extent than at the central level, hence the amount of work involved in separating party from government there is greater than at the central level. However, since the central level can institute separation of party and government, the localities should have no reason for failing to make this separation. The problem lies in the grass roots; in the past, many full-time party affairs cadres were assigned, who monopolized so many administrative matters. It is essential to take a very resolute approach to change this situation; it is necessary to do a great deal of thorough and meticulous ideological and organizational work, to change that old custom and tradition of having the party committees monopolize everything. In the measures to be taken, the enterprise party committees should resolutely and spontaneously switch to a functional role of guarantee and supervision, to fit in with the economic structural reform and ensure the smooth implementation of the plant manager and director responsibility system. They should not hesitate and waver. The change of functions of the party committees of schools and research institutes should be done at a steady pace, but its orientation must be clear-cut.

An important reason why many comrades are anxious about the question of separating party and government is that they have little experience of its advantages. If we stress the advantages, their worries will diminish. I hope everyone at the plenary session will discuss more the advantages of separating party and government. I also want to focus on these advantages here. I think that there are at least four:

1. Lack of separation between party and government lowers and weakens party leadership instead of enhancing and strengthening it. Only through separation of party and government is it possible to truly enhance and strengthen party leadership and improve the party's standard of political leadership. For the leaders to directly monopolize the affairs of those they lead means lowering themselves to that level. If the party committees monopolize government matters, they are turning themselves into the government; if they monopolize the affairs of the enterprises, they are turning themselves into enterprises. The party is a political leader and should carry out the work of providing political leadership. Things like distributing cash and materials, ordering projects, and signing chits should be the routine affairs of the government departments; if the party committees directly come forward to intervene in such things, not only will it be impossible to bring into play the role of the government, but the party committees will have abandoned their own proper role. Leaders must keep very cool; they must stand high and see far, consider things carefully, and avoid getting entangled in a pile of routine affairs. They cannot truly play a leading role if they are entangled in trivia all day long. Here, there is a problem of whether or not people can stop worrying. Some people say they cannot stop worrying if they hand over their work to the government, fearing that it cannot then be grasped well. This does not accord

with reality. Many of our comrades have been secretaries one day and mayors the next; have they not carried on working as usual? If a secretary does not take charge of specific matters but instead stands a bit higher and sees a bit farther, he will in fact have greater ability for resolving problems. His view of problems will be limited if he is stuck in routine matters all the time.

2. Lack of separation of party and government means that the party is unable to give consideration to grasping party building; the party can only truly "manage itself" if there is separation of party and government. To do a good job in building our party, the party committees should put their own building on the agenda, and should thus be skilled at shaking off interference from various chores. Work in other aspects is done by the government, the people's congresses, social groups, and economic and cultural organizations, and their role should be brought into full play. However, the party committees cannot shirk their responsibility for party work and for the party's ideological and organizational building, and other organizations cannot replace the party in this work. Under conditions of holding power and of carrying out reform and opening up, a brand-new question of major importance is that of how to ensure that our party is fully competent in shouldering the great task of leading socialist modernization, how to ensure that our party can withstand the test of holding power and the test of reform and opening up, and how to ensure that the party enjoys lofty prestige and strong cohesive and impelling power among the masses. The party's ideological and organizational building and its mass work must be tackled by the party committees at all levels themselves, and moreover they must seriously tackle these tasks well; they must certainly not "allow their own land to go barren while tilling the land of others."

3. Lack of separation of party and government means that the party is in the frontline in administrative work, and even becomes an aspect of contradictions. If party and government are separated, the party can be in a position of being detached from and mastering the contradictions and taking charge of the overall situation, and can thus play its leadership role in "coordinating all aspects." Socialist society is not a "monolithic bloc," the members of society naturally have common interests, but we certainly cannot ignore their special interests. Contradictions need to be harmonized. The government naturally has to harmonize various interests and contradictions; and the party committees must be all the more skillful at coordinating work. One of the duties of the local party committees is called "coordinating the activities of organizations of all types in their localities." If the party committees themselves monopolize the work of the government and also of the various economic and cultural organizations, with they themselves having to decide on and execute everything themselves, they will turn into one interested party without any room for maneuver, and will in fact lose the qualifications they should have for harmonizing contradictions.

4. Lack of separation of party and government means that the party committee itself becomes an executor; only if there is separation of party and government can the party committees truly exercise their supervisory function. It is essential to strengthen the administrative system in order to improve efficiency; however, for this reason, it is also essential to strengthen supervision. One cannot supervise oneself. If you yourselves monopolize administrative work, you will lose your qualifications for supervising the administration. Eliminating bureaucratism is a very important task in our leadership organs at all levels. If the party committees monopolize administrative work, they will themselves turn into a hotbed for the growth of bureaucratism; on the other hand, after party and government are separated, the party committees will not take charge of routine work and will be able to truly become a force for waging struggle against bureaucratism.

I have given these four reasons. All of them explain this point: It is essential to have a clear-cut orientation for separating party and government. It is essential to separate party and government functions in order to avoid downgrading the party's leadership role, to ensure that the party committees have the role of coordinating all aspects and supervising the administration, and to strengthen party building in the new historical conditions. As for specific forms and methods of making this separation, those are technical questions to be explored in reality. Cadre assignment is a question of how to make appropriate readjustments in accordance with the special features of party and government work; it should not become a reason for failing to separate party and government. If everyone from top to bottom understands the reasoning why party and government must be separated and earnestly and spontaneously makes a switch in this direction, then separation of party and government can be implemented relatively smoothly and steadily. If this problem is resolved well, the other measures of political structural reform can also be gradually unfolded relatively smoothly and steadily. This is a major issue bound up with many things, and I hope it will arouse everyone's attention.

Of course, it is necessary to make a historical analysis of the lack of separation between party and government, and the question should not be oversimplified. We used this setup in the past given the historical conditions and background. This setup formed during the years of revolutionary war was strengthened during frequent political campaigns, and corresponded to the pattern of mandatory economic planning with a high degree of centralization. The situation is different now. The modernization drive requires bringing into play the initiative of all kinds of organizations and sectors and the establishment of a normal order for these organizations. The setup of the war years cannot meet the needs of peacetime, the mass movement setup cannot meet the needs of modernization, and a highly centralized setup cannot meet the needs of a developing commodity economy. Since changes have taken place in the situation and

tasks, the leadership setup cannot stick to the old form. This is determined by the historical conditions, it is not the responsibility of someone. In separating party and government, we must also clearly state the reasoning in this respect, and must by no means make those comrades engaged in party work dejected, as though they had made some "mistake." We must certainly not do that. On the contrary, we should ensure that everyone understands that the reason why we must separate party and government is that the situation has developed and the party's cause has developed, and this has set higher demands on party work; thus they should spontaneously, actively, and happily plunge into this reform and bring about this historic change. (See the report of the 12th CPC Central Committee delivered at the 13th Party Congress)

**Written Conversation on Separation of Party From Government Functions by Provincial Party Secretaries**

*HK230604 Beijing HONGQI [RED FLAG] in Chinese  
No 23, 1 Dec 87 pp 5-19*

[Article by Yang Rudai [2799 3067 1486], Yang Xizong [2799 2649 4844], Xing Chongzhi [6717 1504 2535], Zhang Boxing [1728 0514 5281], Han Peixin [7281 1014 0207], Li Changchun [2621 7022 2504], Shen Daren [3088 6671 0086], and Sun Weiben [1327 4850 2609]; first paragraph is HONGQI introduction]

[Text] When the 13th National Party Congress was in session, HONGQI invited some provincial party secretaries and deputy secretaries to make written conversation on the issue concerning separation of party from government functions. The conversation is now published as follows for our readers.

**Yang Rudai, member of the Political Bureau of the CPC Central Committee and secretary of the Sichuan Provincial CPC Committee:**

Political structural reform, a matter of concern for the whole party and nation and the focus of world attention, has been deliberated for a long time. It is high time and absolutely correct for the 13th Party Congress to officially put it on the agenda for the whole party. Comrade Zhao Ziyang's report has clearly explained the necessity, urgency, long- and short-term tasks, and contents and methods of political structural reform. The key to political structural reform lies first in separating party from government functions. As this is a new topic, my understanding is not yet profound and I am still trying to gain more experience. In connection with Sichuan's reality, I think we should take note of the following three points in separating party from government functions:

First, party committees at above county levels should acquire a better understanding of the question.

In the reform of the urban and rural economic structures over the past few years, the comrades of party committees at above county levels have adopted an active

attitude and have stood in the forefront of reform, pushing reform forward. Regarding the question of separating party from government functions, however, the story is different. Some comrades fear that it will weaken party leadership and that the government cannot undertake the responsibility. Regarding it as "a loss of power and prestige," a handful of comrades could not straighten out their thinking. This is understandable because we have practiced the system of unified party leadership for a long time. Although the state of party committees undertaking everything changed somewhat since Comrade Deng Xiaoping put forward the question of reforming the leadership system of the party and government, the question of separating party from government functions has not been fundamentally solved. The relations between the party and government have not yet been properly readjusted. The ideas and practices of "unified leadership," "the party secretary taking command," and "centralization of power on major issues and decentralization of power on minor issues" are branded in the minds of our leading comrades and have become habit. As it is a great turning point from unified leadership to separation of party from government functions, every comrade should undergo a process of understanding and practice. Take me as an example. When separation of party from government functions was first put forward by the central authorities, I also thought that division of work between the party and government would be possible, while separation of party from government functions would be impossible. I gradually came to realize the truth after conducting investigations and thinking for some time. The functions of our party committee, people's congress, and government are different, though they share the common target. For this reason, their functions should be clearly separated and varying leadership and work methods should be adopted. As such separation is different from division of work among members of a functional organ, the correct formulation should be "separating party from government functions." If the local party committees which have the functions of political leadership exceed their authority and perform the functions of the administrative organs, it will not only affect the independent work of the administrative organs and dampen the enthusiasm of cadres and the masses, but also lower the party's leadership position and weaken the role of party leadership. A county party secretary in Sichuan said that "the party undertaking government affairs" actually means "substitution of government for party affairs." What he said is quite reasonable. Only by separating party from government functions can we give full play to the role of party leadership and ensure that the party will manage party affairs and exercise the role of coordination and supervision from a relatively detached position.

Second, make explorations through practice.

We should be ideologically prepared and fully aware of the difficulties of separating the functions of the party from those of the government since it is a major reform of the party's leadership system. Moreover, separation of

party from government functions is interrelated with delegation of power, structural reform, and reform of the cadre and personnel system. Therefore, it is necessary to carry out political structural reform in a step-by-step manner under proper leadership and regard it as a system engineering closely related to economic reform and economic development. As political structural reform involves sensitive problems and is far more complicated than economic structural reform, we should be bold, resolute, and prudent and advance steadily. We cannot be idealistic toward economic structural reform and attempt to win success overnight. Similarly, we should not be too idealistic about political structural reform. Instead, we should strive to attain the target gradually through some transitional measures. We must avoid the gap in the change from the old economic system to a new one because there are some people who will take advantage of the gap to create confusion in economic life. While carrying out political structural reform, we should take note of properly handling the relations between establishing the new and destroying the old so that the various measures converge and that the relevant departments can appropriately exercise their powers. The report to the 13th Party Congress explicitly defined the functions of political leadership of the local party committees in the relevant areas and also stipulated the functions of "enforcement," "guarantee," "policy decision," "recommendation," and "coordination." This illuminates the direction and principles for us to follow in carrying out the reform. However, we cannot expect the central authorities to elaborate all the specific measures. Instead, the local party committees at the provincial, prefectural, and county levels should make explorations, practice by themselves, and gradually establish the rules and systems in connection with their practical conditions. It will be impossible for the requirements and methods of separation of party from government functions to be alike at different levels. Even at a same level, we should allow measures adopted to suit local conditions and never try to impose uniformity. Generally speaking, it is easier for the higher levels, but difficult for the lower levels to separate party from government functions. As there are very few cadres at the town and township level, the question should be solved after the relations at county level are readjusted. Naturally, some measures of dividing the functions, sharing out the work, and cooperating with one another can be adopted. Practice has proved that each attending to his own duties in normal times and all acting in coordination while dealing with shock work is a good method. In a word, party committees at all levels should set a good example so that others can follow. They should not eagerly expect the lower levels to move when they themselves have not taken any action. Meanwhile, they should not take a passive attitude and wait for the measures offered by the higher levels. Instead, they should make explorations, give full play to their initiative and creativity, gradually accumulate experience in practice, and enhance their abilities.

Third, persist in improving the art of leadership focusing on economic construction.

The most difficult thing in separating party from government functions is related to economic work. There is now an oversimplified, one-sided understanding which holds that separation of party from government functions means: The government should exercise management over economic construction, while the local party committee should be responsible for ideological and political work and party building. If we act according to this understanding, economic work will possibly be separated from political work which will hinder our efforts to unswervingly implement the party's basic line focused on economic construction. Following the 3d Plenary Session of the 11th CPC Central Committee, our party effected a historical change and shifted the focus of its work onto economic construction. The party paid a price for taking this move which constitutes the major premise of the achievements scored in all fields over the past 9 years. Comrade Deng Xiaoping often said that economic construction is the greatest politics. It is our long-term policy to concentrate forces to carry out the modernization program. In this regard, we should not waver in the slightest degree. Therefore, our answer to whether local party committees should grasp economic affairs is definitely yes. The question is what should they grasp and how should they exercise management. The party should have the situation well in hand. The local party committees should not regard this "have" as "undertaking everything," but should have the overall situation of economic development and reform under control. It seems that we should stick to the following in economic work: First, proceed from the actual reality of the province, city, and county and make a study of economic and social development strategy; second, deliberate the economic and social development plan, including the 5-year plan and annual plan, prepared by the government; third, combine the instructions of the central authorities and higher levels with the actual conditions of the locality and lay down the principles and policies concerning economic reform and development; and fourth, grasp key matters concerning the overall economic situation. For example, when Sichuan's agriculture was hit by serious natural disaster this year, the provincial party committee and the party committees of the disaster area spent a lot of time to mobilize the masses and coordinate the efforts of various fields to combat disaster. As a result, a number of seriously afflicted areas ensured their production. Some even increased their output. Our party committees should exercise management over these matters which are related to the overall economic situation. On the basis of shifting the focus of the party's work, separation of party from government functions is a major reform to further develop the productive forces. While effecting this change, we cannot negate the orientation and achievements of the previous change. For example, when the party shifted the focus of its work onto economic construction, a small number of counties in Sichuan failed to closely follow in their work. As a result, the pace

of their commodity economic development was relatively slow. If we do not stress that local party committees should continue to grasp key matters concerning the overall economic situation, the comrades there may think that they were right in separating party from government functions long ago or conversely blame the comrades who have done a good job in shifting their work and developing the economy. For this reason, with economic construction as the central task, party committees at all levels should have the overall economic situation under control, strengthen party building in the course of reform and opening up, earnestly improve the methods of leadership and work, use the criterion of the development of productive forces to examine their work which include the results of political structural reform, and do our best to build a powerful, democratic, civilized, and modern socialist country.

**Yang Xizong, secretary of the Henan Provincial CPC Committee:**

Comrade Zhao Ziyang explicitly pointed out in his report to the 13th Party Congress: "The key to political structural reform lies first in separating party from government functions." Unless this problem is solved, it will be impossible to strengthen and improve party leadership, give full play to the functional role of government organs and the initiative and creativity of the relevant departments, and smoothly carry out the reform of the political structure. It is the urgent demand of the ongoing overall reform and the development of a socialist commodity economy to separate party from government functions. We should unswervingly follow the plan of the central authorities and earnestly carry out the work in a step-by-step manner under proper leadership.

It is a major reform of China's leadership system to separate party from government functions. It involves structural readjustment, division of functions, and placement of personnel; a change of ideological concepts and work style and methods of party members and cadres; and a transformation of the tasks and leadership methods of party organizations. To do a good job of this reform, our party members, cadres, and party organizations at all levels should consciously effect the change with an active and serious attitude. This is extremely important for Henan. In the numerous political movements prior to the 3d Plenary Session of the 11th CPC Central Committee, Henan was seriously affected by the "leftist" deviation. Formalism, proneness to boasting and exaggeration, the communized wind, and raising a hue and cry in doing things ran wild. Since the 3d Plenary Session of the 11th CPC Central Committee, we have taken note of solving these problems and have made great progress in all aspects. However, the influence of the "leftist" deviation is not yet totally eliminated. While implementing the instructions of the central authorities and higher levels, some localities are still used to the method of launching movements and they easily make the same mistake. Some comrades fail to conscientiously study and comprehend the instructions

of the central authorities and the relevant principles and policies. Lacking awareness, they blindly pitch into the work before clearly understanding the contents and significance of the instructions and policies. Instead of conducting meticulous work in practice, they do their work perfunctorily. To avoid these practices in political structural reform, we should educate and guide our party members and cadres, leading cadres in particular, from the very beginning and encourage them to foster a correct attitude toward the reform. In other words, they should be active as well as serious. Active means to be firm and unshakable rather than hesitate and wait in separating party from government functions, to have a strong sense of responsibility and urgency, and to do work in an active manner. Serious means to carry out the reform with a practical and scientific attitude. It is necessary to conscientiously study and profoundly comprehend the spirit of the 13th Party Congress and the relevant expositions of Comrade Deng Xiaoping, understand the plan of the central authorities, overcome blindness, enhance our awareness, and push the reform forward in a planned, organized, and gradual manner so as to lay a solid foundation for separating party from government functions.

The change from unified leadership to separation of party from government leadership is a radical turn for our cadres at all levels. In this regard, the cadres and masses within and outside the party should deepen their understanding and gradually effect the change. For many years we have stressed unified party leadership. As a result, the party organizations at all levels meddled in the affairs of others. The party committees also made decisions and issued orders regarding the routine duties of government departments and mass organizations. Under such a system, some comrades, particularly the comrades of party committees, believed that the party committee undertaking everything was strengthening party leadership. Otherwise, it would be a divorce from or weakening of party leadership. The dependent mentality of the government and its departments and the mass organizations coexist with the above view. They dare not or are not willing to make decisions on the affairs which are within their functions. Instead, they ask for instructions from the party committee for all matters, big and small. All this shows that we should rely on the concerted efforts of the whole society to effect the change and separate party from government functions. Party committees should adapt themselves to the requirements of separating party from government functions from ideological understanding, structural establishment, qualities of cadres, and methods of leadership. They should delegate power to the government and the mass organizations, extricate themselves from miscellaneous duties and numerous meetings and documents, and learn to master the art of political leadership. The government departments should overcome their dependent mentality, clearly understand their functions and powers, actively carry out work, undertake the responsibility and boldly accomplish their tasks, and perform their powers.

In light of their by-laws and regulations, the mass organizations should vigorously carry out activities and genuinely serve as a bridge connecting the party and government on the one hand and the masses on the other. The leading organs and leading cadres at all levels should effect a change toward separating party from government functions. Moreover, the vast numbers of cadres and the masses should also adapt themselves to this change. In the course of this change every cadre should vigorously accept the test of the party and the people. In the first place, they should emancipate their minds, overcome the outmoded ideas not suited to reform, opening up, and separation of party from government functions, and use practical action to set an example for the masses. They should also do a good job of mass work and urge all fields in society to advance in the direction of separating party from government functions. Regarding this question, leading cadres at all levels should take the lead. If the leading cadres have not straightened out their thinking, it will be impossible to persuade others and to smoothly carry out the work. Separation of party from government functions will be possible so long as the leading cadres acquire a correct understanding, adopt a resolute attitude, and take the lead in implementation.

The ruling position of the party and the new situation of reform and opening up has put new questions before party building. Party building has always been closely linked with the party's political line. Party building in the new period should ensure implementation of the party's basic line. Therefore, we should comprehensively publicize the basic line put forward by the 13th Party Congress and stick to the central task and two basic points in the course of party building. After separating party from government functions, party organizations at all levels and leading organs should extricate themselves from routine administrative affairs, afford time and energy to conduct investigations and studies, combine the principles and policies of the central authorities with local reality, work in a creative way, and ensure implementation of the party's line, principles, and policies. They should afford more time and energy to strengthen party building and strictly administer the party so that party organizations at all levels and the vast numbers of party members can adapt themselves to reform, opening up, and the socialist modernization program. They should afford more time and energy to conduct ideological and political work and arouse the initiative of the broad ranks of cadres and the masses so that the vast numbers of party members can play an exemplary role in reform, opening up, developing a socialist commodity economy, and building socialist modernization. While studying and implementing the spirit of the 13th Party Congress, we should continue to carry out discussions on the image of party members and role of party organizations in the new period and resolutely fight against the unhealthy tendency of violating laws and abusing power to seek personal gains. Party organizations and the vast numbers of party members should stand the test of the ruling party, reform, and opening up and consolidate



and develop the achievements of party rectification. The purpose of serving the people should be earnestly embodied in the action of every party organization and party member. Party organizations at all levels, leading cadres in particular, should conscientiously study Comrade Deng Xiaoping's directive that "leadership means service," improve their work style, work hard in a down-to-earth manner, speak the truth, stress practical results, overcome formalism and bureaucratism, help the masses solve problems, and make contributions to revitalizing Henan's economy and the building of material and spiritual civilization. Viewed from Henan's reality, the party will enjoy higher prestige among the masses and the leadership role of the party will be further improved and enhanced so long as we can do a good job of the work in this regard.

**Xing Chongzhi, secretary of the Hebei Provincial CPC Committee:**

In his report to the 13th Party Congress, Comrade Zhao Ziyang pointed out: "Now that our party is in power, it must stand the test of power. Now that it is providing leadership for reform and opening up, it must also stand the test of that endeavor. This is a crucial test which we must undergo in party building during the new period." To stand the test of power and the test of reform and opening up and to undertake the historical mission of building a powerful, democratic, and civilized socialist country, we must reform the existing leadership system and separate the functions of the party from those of the government in earnest.

Our party has undergone a historical course of 66 years of struggle. In the 28 years prior to PRC founding, our party stood the test of the difficult circumstances, White terror, and sacrifices. The ranks of our party expanded and we eventually led the people of the whole country in seizing political power. Will everything be smooth after the party assumes power? Will it have to undergo new tests? Practice has proved that the party in power is faced with greater tests.

First, it is a big test to assume power. Because on the one hand, after assuming power, the party becomes a regime which has power from one which had no power at all in the past and becomes a leader and organizer from one being oppressed and killed. The change in position and environment is the result of the blood shed over the decades. It urges us to make proper use of the ruling position to better serve the people. After assuming power, however, some comrades within the party may easily engender the tendency of divorcing themselves from the masses. This tendency is more harmful than the period before we assumed power. After assuming power, it is a rigorous test every party member, leading cadres in particular, should undergo to adhere to the purpose of serving the people when our position has changed and to work selflessly for the people's undertaking and always maintain close ties with the masses when the circumstances have changed. A review of the course traversed

over the past 38 years since the founding of the PRC shows that not all comrades within the party have withstood this test. After assuming power, some party cadres have forgotten our purpose of serving the people. Indulged in bureaucracy, some cadres have divorced themselves from the masses and even abused power for personal gains. Unless we take forceful measures to curb this tendency, it will be impossible for our party to assume power. Furthermore, the nature of the regime will change.

Viewed from another aspect, after the party assumes power, besides maintaining the nature of the regime, it should properly wield political power to pioneer a great cause and lead the people in creating a happy life. Therefore, seizure of political power is only the beginning of our grand undertaking. We should properly wield political power to lead and organize the people of the whole country in building socialism so that the people can live in affluence and the country will prosper and remain stable for a long time to come. To achieve this point is another manifestation of whether we can withstand the test of assuming power. To achieve this, with Marxist science as the guide, we should correctly understand our national conditions, proceed from practice, and lay down and implement the correct line, principles, and policies. As everyone knows, we experienced setbacks in this regard and paid a huge cost. We took "class struggle as the key link" for a long time, neglected the development of productive forces, launched political "movements" one after another, pursued low-level "transition to communism" in production relations, and practiced egalitarianism characterized by "everybody sharing food from the big pot" in distribution. It was not until the 3d Plenary Session of the 11th CPC Central Committee when we exposed and criticized the "leftist" mistakes that we could extricate ourselves from the setbacks and confusion and gradually formulate and implement the correct line of building socialism with Chinese characteristics. This is the party's basic line of the initial socialist stage expounded by the 13th Party Congress and proved by practice over the past 9 years. In this process, every party member, party cadre, and party organization have received a profound test.

Second, the world today is an open one. China's socialist modernization cannot be carried out with its doors closed. For this reason, our party has regarded reform and opening up as a basic point of the line formulated since the 3d Plenary Session of the 11th CPC Central Committee. Under this new situation, we are again confronted with the new test of reform and opening up. The purpose of reform and opening up is to reform the traditional rigid economic system and the corresponding political, cultural, and scientific systems in an all-round way. It is a profound change for China to advance from keeping its door closed to opening itself to the outside world. This change requires us to break through the shackles of the "leftist" force of habit and rigid ideas, vigorously dedicate ourselves to and support reform, go deep into the realities of life, make a careful study of and

explore specific reform measures and practical steps suitable to local conditions, increase party spirit, foster revolutionary ideals and faith, resolutely resist corruption of decadent bourgeois ideas, study and assimilate advanced foreign technology and management experience with a strong sense of responsibility and dedication, and speed up the pace of China's modernization program. All this constitutes a rigorous test for the party which is leading reform and opening up and for our party members and cadres. Practice over the past 9 years has proved that the majority of our party members and cadres have done so. However, we should be aware that some party members and cadres have not handed in their papers for the test. Influenced by the "leftist" deviation, some are rigid in thinking. They hate to see reform, make captious remarks, and even erect obstacles. Some fail to withstand the corruption of bourgeois ideas. Lured by money and material incentives, some lose the quality and integrity of a party member and even forsake their national and personal dignity. Swelled with individualism, some scramble to obtain fame, position, and power by hook or by crook. Some lack knowledge, yet are not willing to study. As a result, they are swindled in external economic contacts, causing enormous loss to the state. All this shows that it will be impossible to withstand the test of reform and opening up unless we heighten the ideological and moral level of party members and improve their scientific and educational qualities.

To ensure that the broad ranks of party members can withstand the test of assuming power, reform, and opening up, it is necessary to strictly administer the party and strengthen party building in the course of reform and opening up. First, it is necessary to strengthen education among party members and improve their qualities. To achieve fruitful results in conducting education among party members, it is necessary to reform the contents, forms, methods, and means of education and make them systematic, varied, and regular. Second, it is necessary to enforce party discipline. Whoever violates party discipline must be punished, regardless of his position. Leading cadres of the party who violate discipline must be sternly punished. The degenerates must be expelled from the party, regardless of the number. We should not be indulgent toward them. Third, it is necessary to ensure the quality of new party members. In line with the spirit of maintaining standards, improving the composition, and ensuring quality, we must do a good job of recruiting new members to the party and never allow those who are not qualified to join the party. Fourth, it is necessary to strictly exercise management and supervision over party members so that all party members will attend activities within party organizations and give full play to their exemplary role under strict management of party organizations and under supervision of the masses from within and outside the party. Regarding party members who are not qualified, we should enthusiastically educate them. If they fail to mend their ways after education, they should be persuaded to withdraw from the party. If they refuse, they should be expelled. Fifth, it is necessary

to strengthen the building of inner-party democratic system and ensure the democratic rights of party members stipulated in the party Constitution. To achieve all this, it is necessary to separate the functions of the party from those of the government. If the functions are not separated and if the party committees are bogged down in routine affairs, it will be impossible for them to strictly administer the party, overcome bureaucracy and resist the corruption of decadent practices, and withstand the test of power, reform, and opening up. Therefore, we should unswervingly promote the reform of the political structure. Under the new system of the separation of party from government functions, the party should attend to party affairs, do a good job of party building, and give full play to its leadership role in the course of the socialist modernization program.

**Zhang Boxing, secretary of the Shaanxi Provincial CPC Committee:**

Practice over a long time teaches us that failure to separate party from government functions has actually degraded the party's leadership position and weakened the role of party leadership. As a result, the party cannot attend to party building and its own affairs, which is disadvantageous to strict party administration. Moreover, practice over a long time in which the functions of the party were mixed with those of the government teaches us that failure to separate the functions of the party from those of the government easily engender the unhealthy tendency of bureaucracy and abusing power for personal gains. It is difficult for a party committee to make final decisions on all matters, big and small. It is also impossible for a party committee to have an intimate understanding of every specific work. This results in giving arbitrary and impractical directions. Under such circumstances, those with unhealthy thinking will abuse power to seek personal gains. Almost all the major cases cracked in Shaanxi are related to bureaucracy and irresponsibility of some leading cadres. They have directly or indirectly given the green light to illegal activities.

While exploring the way to revitalize Shaanxi's economy, we have come to realize the necessity of adopting an economic development strategy, accelerating the pace of reform, and effecting a change in people's ideological concept. The blunted sense of a planned commodity economy and competition in Shaanxi is related to our backwardness and inconvenient location. For this reason, the task of emancipating our minds is arduous. With great determination, the provincial party committee achieved successes in effecting a change in thinking from among leading cadres. As the functions of the party were not separated from those of the government, however, the party committee could not further probe into the question of conducting education to foster a strong sense of commodity economy among the masses. Consequently, ideological and political work in this regard was not conducted properly. As the provincial party committee discussed the matters of the government, the provincial

government only handled routine work which resulted in delaying some economic policy decisions and missing the opportunity to speed up Shaanxi's industrial and agricultural production. The call of the central authorities on separating party from government functions has provided us the guarantee in leadership system to accelerate Shaanxi's economic development and the reliable guarantee in institution and organization to strictly administer the party.

To strictly administer the party, it is necessary to strengthen party building, including ideological, style, and organizational building, with the spirit of reform and in light of the party's basic line and tasks in the new period. The building of party style is particularly urgent, arduous, and protracted under the new situation of reform and opening up. With the deepgoing development of reform and opening up, we should be aware that the unhealthy tendency in the party and society will exist for a long time to come. Party organizations at all levels and every party member should keep sober-minded, increase their consciousness in resisting the corruption of various unhealthy tendencies, and make new contributions to party building.

The work of party administration should meet the needs of separation of party from government functions and change the methods of party leadership and work as quickly as possible. After separation of party from government functions, the principal method of political leadership exercised by the party over state organ of power should be: Turn the party's proposals into the will of the state through legal procedures and lead the broad masses to implement the party's line, principles, and policies through the activities of party organizations and exemplary role of party members. In other words, party leadership should be manifested through party organizations and party members. This is entirely different from the leadership method of issuing orders when the functions of the party were not separated from those of the government. Whether party organizations have combat effectiveness and whether party members can give full play to their exemplary role under the system in which the functions of the party are separated from those of the government produce a direct impact on party leadership. Only by adapting themselves to this change can the party organizations at all levels and all party members add new contents to party administration. Viewed from Shaanxi's situation, the party organizations at all levels have tempered themselves through party rectification. The broad ranks of party members have also played an exemplary role in economic construction and overall reform. However, some party organizations and party members have failed to give play to their proper role. A small number of party organizations at the basic levels are weak and incompetent. The task of party building is arduous particularly at the rural grass-roots levels. Over the past 2 years, we organized several thousand cadres from the provincial, prefectural, and county levels to help do work in the rural areas and achieved fruitful results. We should continue the practice in the years to come and

help the basic levels do a good job of party building. While implementing the system of factory director (manager) assuming sole responsibility in urban areas, we should make further efforts to strengthen the building of party organizations in enterprises and enhance ideological and political work.

To strictly administer the party means to encourage party organizations and party members to withstand a new test under the conditions of reform and opening up. With the deepgoing development of reform and opening up, on the one hand, party organizations and the broad ranks of party members should eliminate the influence of rigid thinking and conservative ideas so as to invigorate party organizations and increase the political qualities, professional ability, and scientific and technological knowledge of party members. On the other hand, party organizations and party members should increase their ability to resist the corruption of all decadent, negative factors in the course of reform and opening up. Practice over the years has proved that there is indeed a handful of party cadres who have failed to withstand this test. For example, an increasing number of Hong Kong and Macao compatriots and foreign visitors have come to Shaanxi in recent years to visit relatives or hold trade talks. This has played a great role in developing the local economy. However, we should be aware that some party cadres could not withstand the corruption and temptation. They betrayed the interests of the state and the people and divulged state secrets and economic information for the sake of pleasure and capitalist lifestyle. Some leading cadres took advantage to fill their pockets at public expense. Although only a handful of people are involved, it directly hinders the smooth progress of reform and opening up and creates an adverse influence on the party's prestige.

To strictly administer the party, it is necessary to ensure implementation of the party's basic line. Every party organization and party member should profoundly understand this point and regard it as a principal question for strictly administering the party. Meanwhile, we should correctly handle the dialectical relations between the long-term objective and current work, handle every specific work in a down-to-earth manner, carry forward the revolutionary spirit of plain living, hard struggle, and seeking truth from facts, and transform the social general mood with fine party style. Shaanxi is the hometown of the Yanan style. In the new situation, we must encourage party organizations at all levels and the broad ranks of party members to continue to carry forward the Yanan spirit, work hard for the prosperity of the country, and advance along the course chartered by the 13th Party Congress.

**Han Peixin, secretary of the Jiangsu Provincial CPC Committee:**

The report to the 13th Party Congress has set new requirements for strengthening party building. In my opinion, it consists of the following spirit: First, it has

established the principle of separating party from government functions and introduced a major reform of the party's leadership system; and second, it has emphasized the importance of party building under the new situation of reform and opening up and called on party members to withstand the test of the ruling party and reform and opening up. According to the spirit of the 13th Party Congress, while carrying out party building in the years to come, we should make strenuous efforts to strengthen the building of leading bodies and improve the quality of party members.

First, when the functions of the party are separated from those of the government, the building of leading bodies at all levels should be strengthened. The purpose of separating party from government functions is to strengthen and improve party leadership and set higher demands on the party's leading bodies. When the functions of the party were not separated from those of the government in the past, the leading bodies of the party had to discuss and handle many administrative affairs and the leading members of both the party and government shared out work and undertook responsibility. As a matter of fact, the party organizations were directly in the position of executives which actually weakened party leadership. The report to the 13th Party Congress points out: The party exercises political leadership, which means that it formulates political principles, points the political direction, makes major policy decisions, and recommends cadres for the key posts in organs of state power. We should strengthen the building of leading bodies at all levels in accordance with this instruction. After undergoing structural reform in 1983, readjustment in 1984, and improvement and perfection over the past 2 years, the leading bodies at above county levels in our province have met the requirements of being more revolutionary, younger in average age, better educated, and professionally competent. In the future, we should take particular note of improving the political quality of the leading bodies and their ability to have the overall situation under control so as to meet the requirements of separating party from government functions. In the building of leading bodies, it is also necessary to stress the exemplary role of leading cadres. They should take the lead in strengthening party spirit, observing party discipline, correcting party style, and fighting against all kinds of negative, decadent practices.

Second, improve the quality of party members under the new situation of reform and opening up. The party's power and role depend on the quality of party members. For this reason, it is particularly important to improve the quality of party members under the new situation of reform and opening up. Reform and opening up have invigorated party building and also put a new test before party members. How to correctly handle the relations of interests between the individual and the party, how to adhere to the principle of party spirit in the complicated circumstances of commodity economic development, and how to stick to communist faith amid the influence of various social trends in the course of reform and

opening up constitute a serious question. Without high quality, it will be impossible for our party members to withstand the test. Consequently, the practices of bribery and corruption may prevail among party members. For this reason, we must strictly administer the party. On the one hand, we must conduct regular work and strengthen education and discipline among party members. On the other hand, we should ensure the quality of new recruits, correct the mistake of neglecting quality while recruiting new members, and do a good job of recruiting new members according to the guidelines of maintaining standards, improving composition, and ensuring quality.

**Li Changchun, deputy secretary of the Liaoning Provincial CPC Committee and governor of Liaoning Province:**

Separation of party and government functions is a major reform in our leadership system which is highly necessary for improving the party's system, methods, and style of leadership, for strengthening and improving party leadership, and for improving the working efficiency of government organs. We should pay close attention to it while carrying out the reform of the political structure.

In the light of the current situation in the local party and government leadership systems, to successfully carry out the reform of separating the functions of the party from those of the government, particular efforts should be made to effect "three changes":

First, effect a fundamental change in the concept of party leadership. Separating party from government is a major reform that touches on specific structures and people's traditional concepts and immediate interests. Therefore, among other things, it is necessary to update concepts and enhance the willingness to separate party and government functions, to teach party members and cadres to discard the old concept of leadership and foster a new concept conducive to the expansion of productive forces. Efforts should also be made to get rid of the concept that a party in office means that all its organizations assume "office"; that party organizations directly exercise administrative authority and party leadership means the party directs and manages everything and to foster a new idea that a party in office exercises leadership in matters such as political principles, political direction, major policy decisions, and recommendation of cadres for the key posts in organs of state power by formulating and implementing the party line, principles, and policies and does not put all aspects of administrative work in its hands and to do away with the idea that "since economic construction is the center of all work, party organizations should directly take charge of the specific aspects of economic work" in favor of a new idea that economic work should be placed in a central position and all work in other fields should be subjected to and serve this central task and any effort to monopolize economic work should be avoided. In this way the principle of separating party from government can be correctly implemented.

Second, effect a change in the leadership functions of party organizations at all levels. The party and government should be separated clearly in terms of leadership posts, functions, duties, organizational structures, and tasks in work. The interrelations between the party, the government, the enterprises, and the mass organizations should be gradually harmonized. Party committees in the localities should uphold the five responsibilities set for them by the report to the 13th Party Congress and shift from the substitution of the party for the government to the exercise of political leadership in local work. In accordance with their functions, local party committees should define a rational order of posts and set up fewer but more efficient standing bodies. The existing structural patterns of party committees in various departments should be readjusted on a case-by-case basis. The main tasks of the party organizations in the grass-roots enterprises, institutions, and units is to shift from handling distribution of goods and money and conducting microeconomic activities to doing ideological and political work and mobilizing the employees' enthusiasm and to shift from the overall leadership and guidance over their units to supervising the work and ensuring that it is accomplished.

Third, effect a change in the methods of party leadership. The party exercises political leadership, which means that it formulates political principles, points the political direction, makes major policy decisions, and recommends cadres for the key posts in organs of state power. The principal method by which it exercises political leadership in state affairs is as follows: through legal procedures what the party advocates becomes the will of the state, and the people are mobilized by the party organizations and the good example of party members in implementing the party's line, principles, and policies. Therefore, party organizations at various levels should discard the past work method characterized by overconcentration of power and personal handling of everything, streamline administration and delegate powers to lower levels, and give full play to the role of administrative, economic, and mass organizations; should get rid of the past work method of relying on direct commands and issuance of orders and adopt a work method of supervising the work and ensuring that it is accomplished, developing democracy, and of doing ideological and political work by relying on propagating the party's line, principles, and policies; and should do away with the past work method of mainly relying on holding meetings, hearing reports, and issuing instructions, documents, and general calls in favor of a work method of going deep into the realities of life, going down to the grass-roots units, conducting investigation and study, summing up experience, guiding the work by using typical cases, and of offering specific guidance.

Separation of the functions of the party from those of the government means setting higher demands not only on the strengthening of party building but also on the building of governments at various levels. Government is an apparatus to manage the state under the leadership

of the proletarian political party and an organ to implement the party's line, principles, and policies. With the separation of party from government functions, the building of the government itself should be augmented. It should honestly run the state through improved work.

Some comrades maintain: Since separating party from government is a matter for party organizations, it has little to do with the government. This is a misconception. The aim of separating the functions of the party from those of the government is to strengthen the functions of the government and to accordingly change the organizational structure of government, leadership concept, management methods, and work style. Government working personnel's sense of the party, democracy, and the masses should also be enhanced. Only when reform of the party leadership system and its organizational system and reform of the government work system and the improvement of government work are carried out as a whole in a coordinated way can the desired results in the separation of party from government be achieved.

To improve government work, the most important thing to do is to urge public servants to foster new ideas commensurate with reform and opening up to the outside world. It is necessary to continuously raise the Marxist theoretical level of public servants at all levels, to correctly understand the theory of the initial stage of socialism, and to enhance consciousness about implementing the party's line, principles, and policies; necessary to continue to eliminate the influence of "leftist" and old ideas while firmly combating bourgeois liberalism, to further enhance the sense of reform and opening up, and to strive to shift from the concept of a small-scale natural economy and the concept of a product economy, a concept which has formed for many years, to a new concept of a socialist commodity economy; necessary to shift from using mainly direct control to mainly indirect control in managing the economy; necessary to shift from book worship to the practice of proceeding in everything from actual conditions and doing work in a creative way; and necessary to ensure work of departments concerned in all fields of endeavor promotes, protects, and serves reform and serves the grass roots.

To improve government work, it is necessary to adhere to devolution of power to lower levels. Overconcentration of power is the concentrated manifestation of the defects of the old economic structure and the important cause of overstaffing, poor work efficiency, and bureaucratic practices. If these problems are not solved, improvement of government work will be out of the question. Therefore, organs at higher levels should delegate related powers to their subordinate organs, enterprises, and institutions which are capable of handling the problems properly. Especially, decisionmaking powers in operation of the microeconomy should be given to enterprises and importance attached to bring the role of cities into play so as to solve the long-standing problem in government organs of "having taken charge of many matters which they should not and cannot handle, or

cannot handle efficiently" and to ensure that high concentration of power in macroeconomic control and economic operations moves to a practice in which decision-making is done by competent departments at lower levels, each taking responsibility for its own share.

To improve government work, it is imperative to change government functions. With the devolution of some powers of the government to manage the economy, it is necessary to study from a higher perspective the problem of how to meet the needs of the socialist planned commodity economy and to correctly use the function of the government to manage the economy. The focus of work should be shifted to tightening macroeconomic control, to working out economic development strategies and urban development plans, to having a good grasp of principles and policies, and to providing better coordinated services and doing a good job in supervisory work using economic regulatory means.

To improve government work, it is essential to earnestly improve government work style. Public servants should strive to break away from the practice of "issuing an excessive number of documents and holding redundant meetings," conduct thorough investigation and study, handle official business on the spot, exercise face-to-face leadership, place great stress on analyzing new developments, promptly solve new problems, and continuously overcome bureaucratism. It is necessary to develop a democratic work style, to draw collective wisdom and absorb all useful ideas and give full play to the role of brain trusts, think tanks, and of the comrades who have withdrawn to the second or third line before making any policy decisions on major issues, and to put policymaking on a democratic and scientific basis. All government departments should take the interests of the whole into account and consider and solve problems from the viewpoint of the overall situation.

To improve government work, we should enforce administrative discipline and perfect the legal system. The government should honestly run the state and public servants should serve the interests of the vast majority wholeheartedly. In the situation of reform and opening up, state organs should struggle against corruption. As public servants have powers in their hands in the issues concerning personnel, finance, and materials, some will unavoidably become corrupt. Therefore, government organs should enforce discipline, perfect the legal system, and follow in an exemplary way the system of public service which is to be implemented soon. Those who "received sales commissions" and extorted or took bribes should be given administrative disciplinary sanctions and those who violated criminal law should be dealt with according to law. Bureaucrats who were generous at the state's expense or caused huge losses in state property in a serious way should be investigated and handled and unhealthy practices in trades of unwarrantedly distributing, blocking, and extorting state property by taking advantage of inspecting work should be

resolutely curbed and people involved whose cases are serious should be given economic and administrative disciplinary sanctions.

To improve government work, we should persistently follow the mass line. We should frequently inform the departments concerned at higher levels on recent developments in our work, willingly accept the supervision according to law by the people's congresses and their permanent bodies, and the democratic supervision by the CPPCC, democratic parties, mass organizations, and patriots from all walks of life. More channels should be opened in the relations between the government and the masses of people and the system of "dialogue" with the masses should be persistently implemented. Principal leading comrades in the government should frequently and directly heed the opinions of the people on government work and strive to improve the work.

To put it briefly, separation of the functions of the party from those of the government institutionally ensures the establishment of efficient government organs which have close ties with the masses and at the same time, requires the people's government should enhance understanding, reform working rules and regulations, improve work style and work efficiency, offer better services, and strive to build its organs into state organs which are incorrupt, able to do solid work, efficient, and enterprising to blaze new trails and are fully trusted by the people. Being incorrupt means working hard, stressing diligence and frugality, honestly performing official duties, refraining from abusing power to seek personal gain, from pursuing the practice of "officials shield one another," and from engaging in unhealthy tendencies, abiding by party discipline and state laws in an exemplary way, and serving the grass roots and the people wholeheartedly as public servants. Being able to do solid work means doing more solid work, making fewer empty promises, guarding against boasting and exaggeration, not seeking an undeserved reputation, refraining from going in for formalism, and carrying out work in a conscientious and down-to-earth manner. Being efficient means performing work rapidly and efficiently, avoiding dilatoriness and unnecessary and overelaborate formalities, and stressing efficiency, economic results and social benefit in doing things. Being enterprising means knowing how to study, laying stress on practice, having the courage to conduct reforms, make explorations, and blaze new trails, avoiding holding fast to established ideas and sticking to conventions, and persisting in carrying out work creatively in the light of actual conditions under the guidance of the party's general principles and policies.

**Shen Daren, secretary of the Ningxia Autonomous Regional CPC Committee:**

In the last few years, the Ningxia Autonomous Regional CPC Committee has done a lot of work and scored some achievements in improving party leadership in accordance with the spirit of Comrade Deng Xiaoping's



important speech on "Reform of the System of Party and Government Leadership," and of related central instructions. But one long-standing problem has not yet been completely solved: the lack of distinction between the functions of the party and those of the government and the substitution of the party for the government. Party committees are busy all day with routine work, placing themselves in the first front of administrative work. In so doing, they will become one opposite side of a contradiction or even the focal point of many contradictions; fail to stand soberly on the higher plane of the overall situation and exercise effective leadership in implementing the party's line, principles, and policies, and major policy decisions; weaken the functions of the government and hamper the government from bringing into full play its initiative, enthusiasm, and creativity for exercising its functions; and will relax their efforts in their own building and have little time to take on matters concerning the party's ideological and organizational construction and its improvement of work style. Hence, the phenomenon of "the party giving up management of its own affairs." Some comrades criticized it as "cultivating the land of others while letting their own fields lay waste." As a result, the party's position is lowered and its leadership weakened.

Since the beginning of this year, to meet the needs of the new situation, in accordance with the instructions of the central authorities, we have made some initial explorations in reforming the system of party leadership and leadership methods, namely, separation of the functions of the party from those of the government, and achieved fairly good results while the reform of the political structure has not yet been carried out in an overall way. We have concentrated our main efforts on the following things:

First, unify thinking, deepen understanding, and enhance willingness to do a good job in the separation of party from government functions. For quite some time, handicapped by traditional ideas, we have not been clear about the question of what party leadership is and of how party leadership can be strengthened and have always worried about being viewed by others as discarding and weakening party leadership if separating the functions of the party from those of the government. Consequently, we did not have the courage and initiative to raise or touch on the issue. After studying Comrade Deng Xiaoping's important speech on "Reform of the System of Party and Government Leadership" and the related instructions of the central authorities and reviewing the practice over the years, we have become clear about three things: 1) Separating party and government is aimed at strengthening rather than discarding party leadership. 2) The party exercises political leadership and does not monopolize all things in routine work. 3) A good leader must be clear-headed and able to stand tall and to handle the overall situation with ease. He must not be a leader with a painstaking but bureaucratic style of work who is busy all day doing routine work. With our

understanding deepened, we are relieved of our worries and more conscious in separating the functions of the party from those of the government.

Second, adopt a clear division of labor. We have in the main clearly defined the responsibilities of the party committee and the government, enabling each to perform his own duty and take his own responsibility. Ours is a party in power but this does not mean a monopoly of all government work. The meeting we held in July on party building advanced five proposals for separation of party from government functions. It has been clearly defined that party committees take care of mainly the implementation of the party's line, principles, and policies and ensure the implementation in their local areas of directives from governments of higher levels; take care of the party's ideological and organizational construction and its improvement of work style; handle united front and national unity work; and handle issues concerning major decisions on economic construction and economic strategy. To counter the outstanding phenomenon of confusion of the responsibility between the party and the government in economic work, we have worked out rules and regulations for the party to manage the economy so as to give the government a free hand in economic work. As far as the concrete division of labor between standing committee members of party committees is concerned, full-time party secretaries and standing committee members who hold no government post but take charge of government work concentrate efforts through investigation and study on making suggestions or proposals for the government in policy-making so that the intentions of party committees can be put into effect by the government through legal procedures. This will help the government fully exercise its functions. This year Ningxia saw a year of drought, the third worst since liberation, resulting in a drop in summer grain production. On the basis of investigation and study, leaders of the regional party committee worked out a policy of "grain production in areas north to Yinchuan should be maintained, in areas south to the city surpassed, reduction in the production in mountainous areas should be minimized, and efforts should be made to make up for losses in summer grain production by developing production of autumn grain crops" which has been implemented by the government through its specific measures. Thanks to the hard work of the vast numbers of cadres and people, we have at last reaped a good harvest. Grain production for this year as a whole is expected to reach the second highest level in history.

Third, bring in a change of functions before structural reform is introduced. We have brought a change of functions, laying a foundation for separation of party and government functions and streamlining of administration. With the separation of party from government, some party organs that overlap their counterpart government organs will be inevitably abolished. But structural reform involves a wide range of endeavors and a considerable number of people. If something goes wrong with it, this will disrupt our work and hold up our reform

program. Therefore, we should be enthusiastic and prudent in carrying out structural reform. In accordance with this guiding thinking, with regard to some organs where we are sure of success and on which there are already central directives but reform propositions for them have not yet been finalized, we first changed their functions and let them handle official business together with related government departments. This helped them break away from the structure under which party and government functions are lumped together, laying a foundation for further separation of party and government functions and structural reform. For example, the functions of the urban administration department are the same as those of some government organs. We merged it and the government's commission for economic restructuring into a set of groups under two nameplates, with the two parties taking joint responsibility for structural reform and mainly for the successful implementation of the contracted managerial responsibility system. In this way we have managed to eliminate the phenomenon in which the departments of party committees and government departments do things in their own ways, each offsetting the other's efforts as they do redundant work and to increase work efficiency. This move is well received by all.

Fourth, respect government functions and ensure the government exercises its functions to the fullest. In this connection, we stipulated: 1) All major issues to be submitted by the government to the party committee for discussion should be discussed first by the government before they are submitted together with its proposals to the committee and in general, they are not directly discussed by the committee. 2) To get rid of the phenomenon in which the people who handle personnel affairs lack professional knowledge, at present when the personnel system relating to cadres has not yet been carried out in an overall way, before transferring cadres in government organs, the organization department should solicit the opinions of government departments and their responsible comrades, otherwise, the standing committee will refuse to discuss.

Separating the functions of the party and government is a major reform in the system of party leadership and a historic change. However, as I see it, separating the functions of the party from those of the government does not mean that the party and the government separately handle their own affairs as an independent entity. Separating party from government chiefly means the separation of the functions of the party and the government. In practical work, they must keep in touch, respect, support, and coordinate with each other. At the mention of government affairs, the party committee should not give up management and this holds true of party affairs and government management. Particularly, principal leading comrades of the party and the government should all the more take the initiative in keeping each other informed, often exchange views, and respect and support each other. On the part of the party committee, it must support the government in doing its work freely and

boldly and first support what the government has decided to do and later exchange views personally if its decisions are inappropriate. It must refrain from airing its dissenting views in public occasions or in private behind the government's back. In brief, the party and the government must support each other and not counteract each other's efforts. In this way desired results can be achieved in separating party from government functions.

In a word, according to our experience, only when the functions of the party are separated from those of the government is it possible for the party committee to free itself from the complicated routine work, to spend more time going deep into the realities of life to conduct investigation and study, and to help the government bring into full play its initiative and enthusiasm for exercising its functions, overcome the dependent mentality, and boost work efficiency. There are still many advantages in this regard. Separating party from government functions will better raise the level of the party's leadership and bring party leadership into fuller play instead of lowering its position and weakening its leadership. Of course, we have just begun to separate the functions of the party from those of the government and there is still a long way to go as compared with the requirements set by the 13th Party Congress. In accordance with the spirit of the 13th Party Congress, we will proceed from the actual conditions in Ningxia, uphold two basic points with economic construction as the center, take active and steady measures, make further efforts to explore a road of separating party and government, do a good job of the reform of political and economic structures and of the building of the party itself, and fight for the completion of the various tasks set by the 13th Party Congress.

**Sun Weiben, secretary of the Heilongjiang Provincial CPC Committee:**

In his political report, Comrade Zhao Ziyang pointed out: The long-range goal of the political structural reform is to build a socialist political structure with a high degree of democracy and a complete set of laws, a structure that is effective and full of vitality. To achieve this goal and complete this magnificent undertaking, we must reform the existing political structure and to reform, we need to follow a correct principle.

It is necessary to proceed from the basic national condition that our country is in the initial stage of socialism and to take our own road. Foreign experiences can be used as reference but we should not mechanically imitate the practices of economically developed socialist countries which have fairly adequate traditions of democracy. Nor should we indiscriminately introduce a Western system of "separation of three powers" and of different parties ruling the country in turn.

It is necessary to uphold the socialist fundamental political system. Reform of the political structure is the self-improvement and self-development of the socialist



system and its aim is to overcome the defect of high concentration of power and to improve our leadership structure and not to change the fundamental political system. Therefore, there must be no vacillation with regard to party leadership and the people's democratic dictatorship. However, to uphold party leadership, it is necessary to improve it and to uphold the people's democratic dictatorship, efforts must be made to develop socialist democracy.

Political restructuring should correspond to and promote reform of the economic structure. Reform must accelerate the shift of the product economy to a planned commodity economy and help invigorate enterprises, expand lateral economic associations, establish a socialist market system, develop an economy of different ownerships with public ownership remaining predominant, and help practice different distribution patterns with distribution according to work remaining predominant.

It is essential to adopt a resolute and prudent policy and to carry out political restructuring in a guided and orderly way. Reform of the political structure is an arduous and complicated task which involves the interests of many people and touches on traditional concepts and habits. It is bound to meet with numerous obstacles. Therefore, reform should be carried out in a planned, steady, and secure way under the leadership of the party. In making reform, on the one hand, we must be bold and resolute and dare to make breakthroughs and on the other, we must be careful and secured and proceed in an orderly way and step by step and refrain from demanding uniformity in solving different problems and acting with undue haste. We must also stress experimentation and avoid rushing headlong into mass action in an unplanned way.

The serious defect of the existing political structure is overconcentration of power whose main manifestations are confusion of the responsibility between the party and the government and usurpation of the government's role by the party. Therefore, the key to the reform of the political structure lies in separation of party from government functions. To separate party and government, among other things, it is necessary to clear up two confused understandings. One is that according to some comrades, separating party and government will "strip the party committee of real power and thus weaken party leadership." In fact, after the functions of the party are separated from those of the government, the position and role of the political leadership of local party committees over local organs of state power are not shaken and instead local party committees can better play their role in formulating principles and policies and recommending cadres for key posts using Marxist theory as the guide and better supervise the work in various fields of endeavor and the party members at various posts. What is missing is the power the party exercised in the past on

behalf of the government. The other is that some comrades maintain "with the separation of party from government, the party can no longer lead economic work." This is a one-sided understanding. The report to the 13th Party Congress clearly tells us: Economic construction remains the center of the party's work. With the separation of party from government, the party still must lead economic work. The problem is what to lead and how to lead. The guidelines and general and specific principles for local economic construction should still be worked out by local party committees. In other words, while implementing the important principles and policies of the central authorities and the State Council, they should decide the strategy for the medium- and long-range local social and economic development and readjust economic guiding principles, major targets, and proportional relations, and define major economic reform measures vital to the overall economic situation and priorities for local economic construction. The implementation of economic plans and specific economic policies and the organization work in economic construction should be undertaken by the government. The party committees should no longer and must not take on these tasks. If they do, they will corrode their leading role and turn themselves into the executive of economic construction.

In separating the functions of the party from those of the government, it is necessary to make clear the functions of party committees in the localities. In our work we feel that with regard to the status of a party in power and the nature of a political organization, local party committees should have two functions: One is to lead and organize the party's own construction and ideological and political work. This includes the tasks to earnestly organize and implement the resolutions of the party delegate conferences and commissions at the same level; to strengthen the party's ideological construction and ideological and political work to ensure that Marxist theory plays a leading role in the ideological field and that more and more cadres and people will willingly accept the party's line, principles, and policies; to intensify the party's ideological and institutional construction so that party organizations at all levels will really become key forces in various localities and units and the vast numbers of party members really play a vanguard and exemplary role at their own posts and the inner-party leadership, organization, and working systems can be improved day by day; to improve work style and better enforce discipline so that the party's three major work styles can be developed, the party's advanced nature and purity maintained, and the party's line, principles, and policies as well as party resolutions can be implemented; and to strengthen the party's united front work and mass work and bring into full play the role of democratic parties and mass organizations, and to preserve close ties between the party and people from all social strata and all walks of life. The other is to exercise political leadership over local governments. In this connection, in his political report, Comrade Zhao Ziyang clearly stated:

"The local party committees at the provincial, municipal, and county levels should exercise political leadership in local work, carrying out the line formulated by the Central Committee and ensuring that the decrees of the central government are implemented. Their main responsibilities should be to carry out directives from higher party organizations and from the Central Committee; to ensure the implementation in their local areas of directives from governments of higher levels and from the State Council; to propose policy decisions on important local issues; to recommend cadres for key posts in state organs; and to coordinate the activities of the various local organizations."

To separate party from government, it is necessary to change the ways local party committees lead local governments, from making direct decisions to making proposals on affairs relating to state power so as to turn the advocacy of the party into the will of state organs through legal procedures; necessary to change direct handling of administrative business to supervision of administrative work to ensure the normal operation of the administrative command system; necessary to make the unified management of cadres congruous with the use of personnel and the management of affairs; necessary to change the party leading group system in government organs into a party committee system in offices to ensure administrative organs effectively practice a system under which an administrator assumes overall responsibility; necessary to change the work method characterized by a lack of distinction of responsibility between party and government into one in which the party and the government perform their own duties to ensure there is a clear distinction of responsibility for the parties concerned; and necessary to change from issuing specific commands into relying on the role and influence of party organizations and party members to ensure the completion of the tasks of local economic and social development.

Since the 3d Plenary Session of the 11th CPC Central Committee, our efforts to improve and reform through explorations the political structure have had a tremendous impact on economic construction and social development. The ongoing numerous reforms will certainly further boost economic development and social progress. Therefore, it can be anticipated that delegating power to lower levels will surely boost the enthusiasm of the grass roots and all trades and professions; structural reform will surely help overcome bureaucraticism and increase work efficiency; reforming the personnel system relating to cadres will surely help improve the structure of cadres and the quality of the ranks of cadres and create an environment and conditions for young outstanding talented people to bring their talents into full play; improving the democratic system, conducting consultation and dialogue, and strengthening supervision by society will surely give better play to the enthusiasm, initiative, and creativity of the masses of people and better overcome and eliminate all manifestations of corruption; perfecting the legal system will surely make

our socialist democratic system more institutionalized and legalized and help realize a long period of order and stability. Especially, separating party from government will enable the party to concentrate its efforts on handling its own affairs, to conscientiously solve the problem of abusing power for personal gain which is most discussed and dissented by the masses, and thus further boost the party's image and prestige among the people; enable the party to free itself from the burden of routine work, to concentrate its energy on studying major policies and principles, to stand on a higher plane, and thus better play its leading role; enable the party to study and develop Marxist theories and firmly ensure the authority of Marxism in ideology; enable the party to free itself from being part of a contradiction in administrative work, to handle contradictions with greater ease, and to assume overall control of the situation, hence better playing its part in coordinating the work in all fields and better leading and supporting the people in becoming the masters of the country; and enable organs of state power to comprehensively perform their functions, thus boosting the prestige of the party and government among the masses of people and helping the state achieve a long period of order and stability and accelerate socialist modernization.

**Reform and Opening Are Promoting the Development of China's Economic Relations and Trade With Foreign Countries**

40050104c Beijing HONGQI [RED FLAG] in Chinese  
No 23, 1 Dec 87 pp 20-24

[Article by Zheng Tuobin [6774 2148 1755]]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, and under the guidance of policies of reform and opening up, China has witnessed tremendous changes in its work on foreign trade compared with that of the past.

First, the road is wider than before. While we devote major efforts to developing trade with foreign countries, strengthening the work on introducing technology from abroad and getting ready for economic and technological aid to Third World countries, we have also been breaking through restricted areas set up in work on foreign trade under "leftist" guiding thought in the past, and opening up new realms such as utilization of foreign capital, contracting foreign projects, cooperation in the field of labor service, and other bilateral and multilateral economic and technological cooperation. In so doing we have further expanded the scope of our foreign trade and the extent and scale of China's opening up to the outside.

Second, our work on foreign trade is initially more active than before. We have implemented some initial systemic reform measures in various aspects of our foreign trade, such as delegating power down in foreign trade management, expanding channels of trade, strengthening the integration of trade and industry, and improving the regulation and management from a macro perspective.

We have changed the past phenomenon of monopoly over foreign trade and rigid control, mobilized the incentive of areas, departments and enterprises, and promoted opening up to the outside by activating the domestic scene. In economic dealings with the outside, apart from practices that have been proved effective (such as processing imported materials, barter trade, deferred payments, and futures trading), we have also widely adopted many flexible practices that are internationally popular, such as processing supplied materials, processing according to buyer's samples, assembling parts supplied by clients, compensation trade, contra trade, lease trading, and so on and so forth. In doing so the adaptability of our work on foreign trade to world economic development has been strengthened.

Under the guidance of reform and opening up, China's economic and trade relations with foreign countries have had tremendous development, which is manifested in the following aspects:

(1) The growth of foreign trade has doubled and redoubled, and the power to export and earn foreign exchange is continuously strengthening. Since opening up to the outside, China's foreign trade has been steadily growing. In 1978 the total worth of China's import and export was only U.S.\$20.638 billion. By 1986 it had gone up to U.S.\$60.097 billion, an increase of almost two times and an average annual growth of 14.3 percent. (Note: Pre-1982 figures are business statistics provided by the Ministry of Foreign Trade, while figures for 1982 and thereafter are business statistics provided by the Ministry of Foreign Economic Relations and Trade) The total cumulative value of import and export from January 1979 to June 1987 is U.S.\$387.3 billion, which is 230 percent of the U.S.\$169.3 billion of the period between the founding of the PRC to the end of 1978. In other words, the total value of import and export in less than 9 years since the policy of opening up to the outside has more than doubled that of the 29 years before. This fast speed of development was obtained in the context of keen international competition and slow world trade growth rate. What deserves special attention is that our export has grown a great deal. The total value of export rose from U.S.\$9.745 billion in 1978 to U.S.\$27.014 billion in 1986, an increase of 277 percent and an average annual growth rate of 13.6 percent. In the first 8 months of this year, the value of China's export has again exceeded that of the same period last year by 33.7 percent. By 20 October, this year's export target had been met ahead of schedule. In imports, the value rose from U.S.\$10.893 billion in 1978 to U.S.\$33.083 billion in 1986, a more than twofold increase and an average annual growth rate of 14.8 percent. The proportion of China's export in world export also rose from 0.75 percent in 1978 to 1.46 percent in 1986 and its ranking also rose from 32nd in 1978 to 16th. Meanwhile, the composition of our export commodities has improved. Manufactured goods such as light textiles and machinery and electrical appliances have increased and we began to export technology.

(2) Utilization of foreign capital has enabled greater development and the investment environment has seen evident improvement. An important point in the implementation of China's policy of opening up to the outside is the active absorption of foreign capital. For 9 years, there has been breakthrough in the ways, types and scope of China's utilization of foreign capital. Daring and firm steps have been taken in the establishment of special economic zones and opening up of coastal regions and cities. Great efforts have been devoted to improving the investment environment, refining legislation that involves trade with foreign countries, guiding investment directions, and implementing preferential policy. We have obtained evident initial success in utilizing foreign capital. Up until June this year, China has utilized an accumulated total of U.S.\$22.837 billion borrowed from foreign countries, absorbed an accumulated total of U.S.\$9.087 billion from foreign businessmen's direct investment, and approved the establishment of 8,516 foreign-invested enterprises in China. The value of contracts is U.S.\$17.116 billion. Of these 8,000 or so enterprises, about half have started operation and production. Most of the enterprises that are in operation and production have yielded economic benefits. Meanwhile, China's legislation involving foreign trade is being perfected, the organizations responsible for absorbing foreign capital are being strengthened, the direction of foreign investment is becoming more reasonable, and the numbers of enterprises characterized by advanced technology and product export respectively are growing. In sum, China's work on utilizing foreign capital is progressing along a healthy road and has entered the stage of stable development.

(3) There has been tremendous increase in the introduction of technology and its effectiveness has continuously been growing. For 9 years, we have been taking advantage of the opportunity provided by the world new technological revolution and have been actively introducing advanced technology from abroad. We have been adhering to the road of "absorption—digestion—development—creation" and aiming at a high starting point, quick development and good results. During this period we have realized two changes in the introduction of technology from abroad. First, the change has been from introduction characterized by importing complete plants and equipment to that characterized by importing technology of equipment and production. This has been done through licensed trade, cooperative production, consultation and information and technical service. Second, the items introduced were mainly new key enterprises in the past but are now mainly technological transformation of existing enterprises and strengthening of weak links into key points. In the 8 years between 1979 and 1986, 2,512 technological items and key equipment had been introduced with various forms of foreign exchange and the proportion of items characterized by "software" technology tended to rise. Meanwhile, technology was introduced from a greater number of countries, coordination and management were further strengthened, the benefits were constantly rising, and the

irrationality and overlapping in introduction in the initial stage had been basically under control.

(4) Many other forms of economic and technological cooperation with foreign countries have also witnessed considerable progress. In order to make use of China's favorable condition of abundant labor supply, we have actively contracted foreign projects and developed cooperation in the field of labor service. At present, China has signed contracts with more than 90 countries and areas, and more than 50,000 Chinese are living abroad to carry out contracts of labor service. In contracting foreign projects, China's building industry has demonstrated that it is rather competitive. It has also led to more export of Chinese building machinery and materials and opened up new channels of earning foreign exchange. China sticks to the four principles of "equality and mutual benefit, stress on practical results, diversity in form and achievement of common progress" and actively develops many forms of economic and technological cooperation with Third World countries. At the same time, China continues to provide within its ability assistance to Third World countries that have considerable problems. We have regulated the distribution of aid to foreign countries, improved the aid structure, developed many forms of aid and raised the economic and social benefits of aid items. These have been welcomed by aid recipients and gained international applause. In our cooperation with international agencies, we have abandoned the past practice of "donating but not receiving" and adopted a more practical and realistic attitude. While actively donating to the United Nations development agencies, we also seek and accept bilateral or multilateral economic and technological aid so as to serve the four modernizations. In recent years, China has accepted nonreimbursable technical and material aid from some developed countries. Its links with United Nations development agencies and other international agencies have been strengthened, the content of cooperation have been enriched and forms of cooperation more diverse.

The development of economic and trade relations with foreign countries has had positive effects on many aspects of China's economic and social life. For example, it has earned large amounts of foreign exchange for our country; imported large quantities of rare material resources, important raw materials, advanced technological equipment and articles for daily use that are all necessary for production and people's well-being in China; compensated for China's shortage of capital; strengthened key items such as energy and communications and weak links in the national economy; promoted the technological transformation in existing enterprises; enabled China to acquire scientific management experience; expanded sources of interests and taxes and increased financial revenue for China; expanded employment and raised the incomes of people in urban and rural areas alike; and enhanced the understanding and friendship between Chinese people and people across the world and promoted world peace and development.

It took China only 9 years to create such a delightful situation in its economic relations and trade with foreign countries. It is the result of correct guidance provided by the Central Committee and the State Council, the arduous support and coordination of areas and departments, and the hard work of the foreign trade personnel in all the trades and industries in China. It is a victory of China's policy of opening up to the outside. Some people are worrying that such a policy may change, but this worry is totally unnecessary. Why change a policy that has been proved absolutely correct through practice? Leading comrades of the Central Committee have repeatedly stressed that our guiding thought in the issue of opening up is clear. That is, we will further "open," not "close." The recent 13th Party Congress which has profound historical significance has seriously announced that China would further open up to the outside. Therefore, we need to correctly understand and deal with the following questions.

**We should further deepen our understanding of the party's policy of opening up to the outside and continuously adhere to developing China's economic and trade relations with foreign countries.** In the "Communist Manifesto" Marx and Engels pointed out that steam and machinery had led to the industrial revolution and large-scale industry had led to the world market. The development of the world market made production and consumption in every country a world thing. Regions and nations had been self-sufficient and enclosed before, but they became interdependent and linked to each other. Now socialized mass production is even more developed and social division of labor more complex than before. No country, regardless of degree of development and social system, can isolate itself from the world economy. All countries must develop economic and trade relations with the outside, learn from each other and offset their weaknesses. They must introduce the necessary technology, pool the required capital, absorb useful management experience and exchange products they are good at producing for products they do not produce, do not produce enough or those that are too costly to produce, in order to promote the development of the national economy. Expanding international economic relations is an inevitable result of the development of socialized mass production. It is also the road that must be taken if countries want to speed up the development of their productive forces and realize economic modernization. For socialist countries it is the same thing, especially because for historical reasons, socialism gained victory in economically backward countries first. After establishing the socialist system, these countries face the imperative problem of speeding up the development of productive forces. Therefore, there is even more necessity for them to expand their economic and trade relations with other countries. Lenin pointed out a long time ago that socialism must try its best to utilize international economic relations to speed up its own development. He said that "how socialism is realized depends on whether our Soviet regime and Soviet administrative mechanism integrate well with the latest progress of capitalism or

not." ("Selected Works of Lenin," Vol 3, p 511) Chinese history and our experience since liberation also demonstrate that a closed-door policy will not lead to successful national construction. We can quickly develop our productive forces and speed up the four modernizations only when we are self-reliant and have an active domestic economy, and at the same time arduously develop economic and trade relations with foreign countries based on the principle of equality and mutual benefit, and absorb the strengths of all countries.

In the last 9 years China has achieved a great deal in its economic and trade relations with foreign countries. However, when we consider what is needed for China's socialist modernization and its potentials, the achievement is not adequate. The 9 years of practice in opening up can only be a preamble in our thorough execution of the policy of opening up. We should be aware of the fact that the value of our foreign trade still amounts to a small percentage of the total value of world trade. In 1986 it was 1.46 percent. This percentage does not match China's status as a major socialist country. China is facing the difficult task of regulating the pattern of its export commodities and building a system of export production and the relative backwardness in its pattern, quality and quantity of its export commodities is unfavorable to bringing out its potential of earning foreign capital. Work on introducing, digesting, absorbing and creating advanced technology is still weak and the overall economic benefits have not been fully brought out. The scale of utilizing foreign capital has not adapted to the demand and the investment environment needs further improvement. Greater effort is needed in participating in multilateral international trade. In short, the connection and exchange between China's economy and international economy are still inadequate. We must continue to arduously develop economic and trade relations with foreign countries and open up more to them.

**Increasing export and earning foreign exchange must be the focus of China's further opening up to foreign countries.** Export and earning foreign exchange are the main sources of China's foreign currency earnings and a base upon which economic and trade relations with the outside can be expanded. Without strong export as a backing, the importation of various items cannot be guaranteed, the scale of the country's introduction of foreign capital will be limited by its ability to repay, and other aspects of economic exchange with foreign countries cannot be expanded either. Therefore, in order to expand economic and trade relations with foreign countries, our export must continuously, steadily and speedily grow; and the proportion of export in our gross national product must rise so that with raising economic benefits as the priority, our export will increase at a faster speed than our national economy. For this reason we must select the correct export strategies. For example, in paying close attention to building up the system of export production, we must first build suitable coastal regions into export bases and gradually develop them in depth. We must also regulate the pattern of export

commodities, and actively develop export industries and products that are competitive and profitable; raise the proportion of products from refined processing; work hard to raise the quantity and quality of export commodities; bring into full play our strength of having an abundant labor supply, tap all potentials of our manufacturing production and actively promote the processing of imported materials and that of materials supplied by foreign businessmen, and make them major channels for developing our export production and trade. Moreover, we must use many channels and adopt many forms of trading to open up many aspects of the international market with priorities, and build up and perfect a promotion system and service network abroad. We must continue to develop the economic links between coastal and inland areas, strengthen the integration of industrial trade, agricultural trade and technological trade, and especially emphasize the integrated operation of trade and industry which can greatly raise our power to earn foreign exchange. Qualified foreign enterprises must gradually develop in a multi-production, multi-function and international direction, and try to gradually form a system of export trade in which the production of export commodities in China is closely tied to the sales and service networks abroad. In so doing, they should reach the state of having ready an abundant, stable and suitable export supply while effectively expand sales abroad so as to greatly raise the ability to export and earn foreign exchange.

**We must expand our opening up to the outside in a planned and systematic manner and overcome any irrationality.** In terms of export, China's foreign currency shortage will be a long-term problem. Therefore, our limited foreign currency which has not been easily earned must be used in the most worthwhile ways. We must develop a uniform plan based on reality on which items to import and how much and which not to import. There should be corresponding economic and administrative measures to ensure the implementation of the plan. From an overall perspective, the priorities of import should continue to be the introduction of advanced technology and key equipment. Meanwhile, we must speed up our digestion of introduced technology and creation from it, actively develop import substitution and speed up the process of Chinese manufacturing. We should work hard to improve the quality and quantity of key equipment and other products that are suitable for manufacturing in China, and aim at domestic supply rather than import from abroad. Regarding the introduction of foreign capital, in a government report to the fifth meeting of the Sixth Party Congress, comrade Zhao Ziyang pointed out the following. First, we must control the total amount of loans from foreign countries. The pattern of loan must be reasonable and within our ability to repay and digest. Second, the loan must be used on production, with the focus on enterprises that can export and earn foreign exchange, produce import substitutions, or employ advanced technology. Third, in the utilization of foreign capital economic benefits must be considered. The net profit earned must not be all spent.

Enough must be saved for repayment of principal and interest in time. These three principles are a summary of international and Chinese experience. They are raised also as a response to the irrational introduction of foreign capital by some regions, departments and enterprises a few years ago. From now on, based on the serious execution of these three principles, we must actively expand the scope of foreign capital utilization, speed up the legislation involving economic relations with foreign countries, continuously perfect China's investment environment, create conditions that will bring out more benefits for investment, and make investment in China more attractive for foreign businessmen.

**We must correctly understand the relationship between opening up to foreign countries and reform, and promote the former with the latter.** Opening up to foreign countries and reform complement each other. On the one hand, opening up to foreign countries is in itself a major reform. Without it other reforms inside China cannot be smoothly carried out. On the other hand, the systemic reform of the economy in China's town and country has provided good environment and conditions for the development of economic relations and trade with foreign countries, and the systemic reform of foreign trade has even more directly expanded the opening up. The major problem at present is, the systemic reform of foreign trade in the previous stage was only partial. The main shortcomings of the old system still exist and to a large extent hinder the development of China's economic and trade relations with foreign countries. Therefore, the active and steady promotion of systemic reform of foreign trade has become an imperative task for current work on economic relations and trade with foreign countries. With the systemic reform of China's economy as the master plan, and the assumption of sole responsibility for profits and losses, more autonomy in operation, strengthening management, and taking a unified international stance as guiding principles, we should continue the systemic reform of our foreign trade in a planned and systematic manner. Through reform, our foreign trade enterprises should gradually become economic entities that keep separate budgets, assume sole responsibility for their profits and losses, and are run like enterprises. Departments concerned should reduce their administrative intervention in the activities of foreign trade enterprises. Rather, they should employ more policy, legislation, and scientific economic regulatory mechanism to strengthen overall management. Through reform, the integration between industry and trade, agriculture and trade and technology and trade should be further promoted. Links should be strengthened and a unified stance toward foreign countries should be taken. Our favorable factors should be brought into full play, and incentive from all should be mobilized.

**We must build a contingent of foreign trade personnel that can adjust to the needs of opening up.** Whether the party's correct policy can be implemented depends on the quality of cadres and personnel. At present, the political

quality and specialized skill of our foreign trade personnel are on the whole relatively better, but in some aspects there is still a gap between reality and the expectations of the party and the nation. And so the current foreign trade personnel have not been able to completely adjust to the demand of expanded opening up to foreign countries. For example, in our foreign trade work, bureaucracy in the form of clumsy operation and low efficiency still exists. In a small number of foreign trade units serious violation against rules and regulations by cadres and personnel occur too. These not only affect the healthy operation of foreign trade and bring economic losses to the nation, but also ruin the reputation and dignity of the party and the nation. At present, two problems need urgent solution in strengthening the building of a foreign contingent. First, the political quality and specialized skill of foreign trade personnel must constantly be raised. Second, wrong deeds in this field must be seriously corrected. We must insist on grasping the two civilizations at the same time, adopt positive and effective measures, seriously overcome bureaucracy, strictly discipline internal and external work, and carry out firm struggle against undesirable tendencies. We must improve the operation of the contents and forms of education for the personnel, work hard to build an idealistic, moral, educated and disciplined foreign trade contingent so that it can meet the needs of expanded opening up to foreign countries.

We must follow the guidance provided by the 13th Party Congress, adhere to the four basic principles, adhere to the policy of reform and opening up, work hard to promote the continuous, stable and relatively fast development of China's economic relations and trade with foreign countries, and struggle in order to implement the basic road of the primary stage of socialism.

### **Probing the Reform of the Housing System in Towns and Cities**

40050104d Beijing HONGQI [RED FLAG] in Chinese  
No 23, 1 Dec 87 pp 25-29

[Article by Yu Zhengsheng [0205 2973 5116]]

[Text] Having been considered for a year and 4 months, a plan for the reform of housing in the city of Yantai was officially introduced on 1 August this year. Its implementation effects are better than expected. Preliminary practice has proved that this reform plan is feasible. In this article we discuss our thoughts on and understanding of this reform from our work on it.

## **I**

In terms of urban housing China has for a long time carried out the practice of "government responsibility and low rent." Such a housing system contains elements of welfare and distribution in kind. It has quite a few shortcomings.



First, there is a great disparity between the price and value of housing. As a result, investment on housing construction cannot be recovered or be circulated. The price of residence as a commodity should comprise eight items, namely, depreciation charge, maintenance fee, management fee, interest from investment, profit, housing tax, land rent, and insurance fee. Rent is the price of residence segmented according to duration of use. Naturally it should also comprise the eight items mentioned above. According to this composition, in Yantai the average monthly rent of each square meter of usable floor area should be around 2.4 yuan. But before the reform the actual rent collected was only 0.167 yuan, part of which was subsidized by the state. In 1984 and 1985, the housing subsidy for the whole city was as much as over 5.20 million yuan; the individual actually paid only 0.067 yuan each month for each square meter of usable floor area. Because the rent was too low, investment on housing construction could not be recovered; even simple reproduction could not be realized. Such a housing system has seriously hindered the development of housing construction and intensified the problem of housing shortage in urban areas.

Second, since the rent was not even sufficient for building maintenance, a lot of buildings have been deprived of maintenance and become "prematurely senile." Under normal conditions, each square meter of residence demands an average annual maintenance fee of 3.5 yuan. However, each resident of Yantai pays an average rent of only slightly over 0.8 yuan per year for each square meter. Even if we ignore the depreciation charge, if we subtract 0.5 yuan as management fee, what is left is only slightly more than 0.3 yuan, which is only a tenth of the normal maintenance fee. The state has to invest on housing construction on one hand and spend on housing maintenance on the other, so that a vicious cycle has been formed in which the larger the amount of investment, the larger amount of residence constructed, and the larger amount of maintenance it has to shoulder too. For example, in 1984 and 1985 Yantai invested 1.2 billion yuan on housing construction, of which housing maintenance was more than 4 million yuan, or a thirtieth of the total investment on housing construction. This is unfavorable to both mobilizing the incentive of housing production units and housing maintenance and management, and the number of dangerous buildings has been continuously growing. For example, in Zhifu district of Yantai the rate of healthy buildings has long remained in the neighborhood of 60 percent.

Third, the previous housing system has led to an unreasonable pattern of consumption. Residence is one of the most basic means of livelihood. Like other consumer goods such as the refrigerator and color television, residence should be purchased or rented by residents. However, under the previous housing system, most of the housing fee was paid by the state. Spending on housing accounted for a low proportion of staff and workers' total spending. According to a 1985 survey of 6,061 households of staff and workers by the State Statistical Bureau

in 47 cities, the average rent each person paid per month accounted for only 1.3 percent of his total income. The figure for Yantai was 1.01 percent, or a tenth of his spending on clothing, or a quarter of his spending on cigarettes, liquor, candies and tea. This is a false consumption pattern, for it cannot reflect the urban dweller's actual consumption. Excessively low rent has stimulated swelling demand for housing on one hand, and has channeled society's purchasing power to other commodities on the other, and so it has intensified the contradiction between supply and demand in the whole consumer goods market. If we are not aware of this phenomenon, and formulate consumption and wage policies just on the basis of that false consumption pattern, errors will be inevitable.

Fourth, the previous housing system is unfavorable to the process of making the industrial structure reasonable. China's building industry has accounted for a relatively low proportion of the national economy for a long time. In 1982 the national income generated by China's building industry made up only 4.6 percent of the total national income. The comparable figure for some countries in the same year was 8-10 percent, in others it was even more than 30 percent. An important reason for the backwardness of our building industry is the excessively low rent of urban housing. Investment on housing construction cannot be recovered for circulation and reproduction in the building industry cannot proceed smoothly. To make the building industry a pillar in our national economy, we must reform the old urban housing system and actively commercialize housing.

Fifth, the previous housing system can easily lead to unjust housing allocation.

The facts mentioned above show that as an important part of the systemic reform of China's economy, the reform of the housing system cannot afford to wait any longer.

## II

Based on China's situation and the reality in Yantai, the main content of our housing system reform can be summarized in eight words: "raise rent, issue voucher; start from empty transfer." "Raise rent, issue voucher" means raising the present rent scale from the low welfare rate to the quasi-cost rate of 1.28 yuan per square meter. At the same time, staff and workers would receive higher wages. But the wage raise is not in the form of cash. It is rather in the form of a valuable housing voucher which is used to pay the rent or as a housing purchase fund. In this way the present invisible subsidy on rent will become a visible subsidy. "Start from empty transfer" means that for old buildings that existed prior to the housing system reform (we use 1 November 1986 as the demarcation), the method of empty transfer is employed. That is, housing vouchers are "issued by one hand and collected back by another." Housing vouchers issued to households in old buildings will be returned to issuing

units when the households pay their rent. The same housing vouchers can be issued to staff and workers again. No financial subsidy is needed, and no business cost is required either. Title units do not earn additional incomes, and voucher issuing units do not have to spend more either. The method of "actual transfer" will be employed for residential buildings completed after the housing reform. This means that the portion of wage increased will not be in the form of housing voucher, but will be in the form of cash, financial subsidy or cost put into the enterprise. A portion of the rent is used to cover coordination fees, the rest belongs to the title units. Old residential buildings should gradually enter actual transfer through systematic selling.

"Start from empty transfer" is a major feature of the Yantai plan. Some comrades say that this empty transfer has no practical meaning. This is a misunderstanding. The housing reform aims at ultimately smoothing up two relationships. One is the relationship between the state and the individual, the other is that between the state and the title unit. The relationship between the state and the individual is reflected in the rent and subsidy scales respectively. Both the methods of empty transfer and actual transfer have initially smoothed up this relationship. However, in the relationship between the state and the title unit, empty transfer has not earned title units more income from rents than before. The rent increase was paid with the housing voucher. In actual transfer, most of the increased rent is left to the title unit for maintenance and reproduction of residential buildings. Obviously actual transfer is more thorough than empty transfer. Then why do we adopt the method of "start from empty transfer"? This is determined by the objective economic conditions of housing system reform in Yantai. The key problem encountered in housing system reform is finance. The usable floor area of old residential buildings in Yantai is over 2.30 million square meters. If it all became part of the actual transfer plan, more than 30 million yuan would be needed each year to be business cost and supplied by various levels of treasury respectively. Under the present conditions, neither enterprises nor the treasury can meet such a demand. By "starting from empty transfer," the state, locality and enterprise can all cope with the financial demand, while the housing system reform can take off. Therefore, empty transfer is a better method during the transition. The reform of the housing system is a complicated systems engineering; it needs to be carried out systematically and in stages. The meaning of "starting from empty transfer" lies in the fact that it enables a transition from the old system to the new one. To the extent that all aspects concerned can meet the financial pressure involved, a road is opened for the new system. This is favorable to the systematic and stage-by-stage implementation of the housing system reform. In the future empty transfer will all become actual transfer, which means that after the rent increase subsidy to the consumer will change from housing voucher to cash wage, and the commercialization of residence will be realized in a more comprehensive way.

Like all other reforms, the housing system reform involves the relationship between what is reasonable and what is feasible. The newly introduced reform plan is reasonable in the major aspects, but is inevitably unreasonable in the minor aspects for the time being. We should firmly implement the reform measures and fundamentally break through the old system on the one hand, and be realistic and do what is within our ability on the other. We should realize that the present plan takes off within boundaries. For example, the rent scale is raised only to the quasi-cost level. Also, only staff and workers in public housing receive housing vouchers. Those in their own residence, in rented private-owned residence or in housing quarters for single people are not involved in the reform for the time being. Therefore, the depth, breadth and effects of reform will all be limited. Moreover, while raising the rent, the wage is also raised and housing vouchers are issued, both of which are calculated on the basis of the present wage system. This is another limitation, for the present wage system itself is not reasonable enough either, it needs reform too. In a sense reforming the housing system is an important aspect of implementing the principle of distribution according to labor. The realization of the principle of distribution according to labor through distribution of housing depends on the smoothing up of the whole wage system too. Besides, in our reform, empty transfer is employed for old residential buildings and actual transfer for new ones. There is a difference in the rent the households have to shoulder. Households in the old residential buildings receive suitable reduction, exemption and subsidy; this is called "old policy for old buildings." Households in new buildings do not enjoy reduction, exemption and subsidy except a few special cases; this is called "new policy for new buildings." This is because housing in old buildings is already an existing fact. Households that are affected and have to spend more on housing need time to adjust to the new practice, and this cannot be solved by their will alone. New households, on the other hand, can decide on what kind of housing for themselves based on their income. However, this "dual track system" in housing is not the ultimate goal of the reform. Therefore, there is a time limit to our policy of reduction, exemption and subsidy. After a certain period of time, the policy of reduction, exemption and subsidy will be lifted whether for old buildings or new ones and the differentiation in rent caused by the "dual track system" will disappear.

### III

The reform of the housing system directly involves the interest of hundreds and thousands of households and many aspects, and much difficulty and obstruction is encountered too. Therefore, we must combine firmness with the scientific approach and proceed with boldness and caution.

First, formulate a suitable rent scale.



An important question in housing system reform is reforming the rent. Since spending on housing made up a very small proportion of a worker's wage, when the rent has been raised, the wage should go up too. The portion of wage increased should be contributed by various levels of treasury as well as enterprises. Therefore, in raising the rent we must consider how much each level and enterprise can afford. According to our calculation, the total amount of wages of all city-owned enterprises in Yantai in 1985 was 75.6 million yuan. If they are raised by 20 percent and the raise is in cash, the profit will go down by 15.12 million yuan. According to the present profit-sharing system, the city government will lose 4.75 million yuan, the province and the state will lose 5.83 million yuan, and the enterprises will lose 4.54 million yuan. Since all levels of government are financially tight at present, they will find it difficult to stand such pressure. And the amount involving enterprises will affect the cost they can afford for future construction. Not only will enterprises' reasonable profit retention be affected, but to some extent their incentive and that of their staff and workers too. Also, it may lead to a price hike of some of the enterprises' products and cause even more price fluctuation. Therefore, the rent raise should not be too drastic in a short time.

We had two tentative ideas about setting the rent scale. The first one is taking small but frequent steps. It means that the starting rent is rather low, but it goes up a little each year and reaches commercial rent scale after more than 10 years. The second one is reaching the cost rent immediately. After repeated calculation and assessment, we decided that neither idea was feasible. The first idea produces less shock at one time, but the rent goes up every year and it is hard for people to stand it psychologically. Besides, an important goal of the reform is to sell the residences. If the rent is too low, it will still be cheaper to rent than to purchase housing. It will therefore be difficult to encourage staff and workers to purchase housing and the effect of the reform can hardly be realized. The second idea takes an immediate jump to the cost rent. It means that wage subsidy will be excessively high and no one can stand the pressure. After repeated calculations, we set the monthly rent of each square meter of usable floor area at the quasi-cost rate of 1.28 yuan. This is to be the basic rent. It is more than 7 times the original rent and 83.7 percent of the cost rent.

Because residences differ in quality, direction they face, location, number of stories and facilities provided inside, in determining their rent we employ the "formula of adding to or subtracting from the basic rent." It means that we first define the conditions of standard residences that are worth the basic rent. For residences whose conditions are better or worse than those of standard residences, we add or subtract the rent according to the items involved. The formula is like this: The rent = 1.28 yuan x usable floor area + rent for additional items - rent for absent items. According to the "formula of adding to or subtracting from the basic rent," within the scope of reform in Yantai the actual average rent is 1.17 yuan [as

published, presumably 1.17 yuan] for each square meter of usable floor area per month. Meanwhile, the methods of reduction, exemption and subsidy to households who have to spend more on housing and of preferential residence sales are adopted, so that while it favors residence sales, it does not affect the people's actual level of living too much. And most people can cope with it both financially and psychologically.

Second, issue housing subsidy scientifically.

After the rent hike, housing subsidy must be issued to staff and workers. The method of issuing housing vouchers to those living in old buildings is actually increasing their wages and the voucher coefficient is the range of wage increase. In order not to add to the burden of the masses, the voucher coefficient must not be set too low. However, it cannot be too high either, otherwise the subsidy will exceed the portion of rent increased. First, in empty transfer, a lot of housing vouchers will precipitate and turn into purchasing power for commercial housing, and eventually the burden will be too heavy for both the state and the enterprises. Second, in actual transfer if the cash subsidy is too high, it will adversely affect the market and will have negative effects on correctly regulating the pattern of social consumption and stabilizing prices. We set the voucher coefficient at 23.5 percent. The calculation is based on the average usable floor area of housing of Yantai's staff and workers, their average monthly wages, the average monthly rent they have to pay, and the average monthly rent of each housing unit. The basic principle of calculation was: the total value of vouchers should be equal to the total amount of rent increased. Regardless of the size of their present residence, staff and workers are issued vouchers which are worth 23.5 percent of their basic wage. This has changed the past phenomenon in which those living in large residences were at an advantage and those in small residences at a disadvantage. If the rent increase exceeds the value of housing voucher, the individual is to be responsible for the difference; and if the value of housing voucher exceeds the rent increase, what is left goes to the individual. Overall, the total of additional spending is equal to the total residue, the two balance each other. In order to minimize the additional work in issuing vouchers and the cost of printing vouchers and make the whole thing simple and practicable, we have adopted the method of "replacing vouchers with coupons, balancing the difference, and coordinating other funds into a housing fund for the residue." This means that the unit concerned appraises and decides the housing voucher and new rent scale for each household. It calculates the difference between households that have to spend more and those that have a residue. Those that have to spend more have to pay in cash and those that have a residue receive coupons (as a proof of amount deposited), the old rent is still turned over to the original title unit. The funds for reduction, exemption, subsidy, and coordination provided by various units as well as the cash paid by households that have to spend more are deposited in the bank and become a reserve for the

redemption of residue coupons. Since residue coupons are only good for purchasing housing, they are effective only in Yantai. Therefore this portion of fund is actually frozen before the purchase of housing. It will not have any adverse effect on the market.

Third, integrate the work of mobilizing the people's thinking and that of solving their practical difficulties.

Due to the influence of old thinking and concepts and the lack of psychological preparation, the masses had worries about the housing reform for a time. Those who would have to spend more on housing in this reform were especially agitated. According to our calculation, more than 37 percent of the households in Yantai have to spend 3 yuan more than before, more than 70 percent of government functionaries and more than 90 percent of leading cadres at the county level or above in Yantai have to spend more on housing. And so the housing system reform has all of a sudden become a heated topic in Yantai. Many people maintain that raising the rent does not agree with the superiority of socialism and is a regression. Some go directly to the leaders and suggest abandoning the housing reform. They say that the housing reform worries people and is unfavorable to work, and that it annoys people and will take votes away. We have seriously analyzed the problems of the thoughts of cadres and the masses. As in other reforms such as the system of contracted responsibilities on the household basis with remuneration linked to output in rural areas, and the lease system and the system of contracted responsibilities in the form of joint operations in urban areas, in spite of various concrete problems of thinking, the key one is how to understand the superiority of socialism. Due to the influence of the old system for more than 30 years, people tend to see the welfare-oriented distribution system as an expression of socialist superiority and are skeptical about whether the reform that aims at commercializing housing is socialist. Therefore we must strengthen ideological work in this aspect. The fundamental task of socialism is to develop productive forces. Only great efforts devoted to developing the productive forces can change the face of poverty and really bring out socialist superiority. This reasoning applies to the housing question too. The old housing system has seriously affected housing construction and become a burden for the whole economic construction. The burden is getting heavier and heavier and has slowed down the development of social productive forces. As a result, the problem of "tight housing" cannot be fundamentally solved and socialist superiority in the housing question cannot be realized. By reforming the housing system, we can enable the benign cycle in housing construction and investment, in which "buildings can be maintained with buildings" and "buildings can be constructed with buildings." The speed of housing construction can be accelerated and the difficulty people encounter in housing can be solved. At the same time, the development of the building industry and related industries can speed up and the development of social productive forces will be faster so that socialist superiority can

be better realized. After explaining these reasons in depth to many cadres and staff and workers and enhancing their understanding of the housing reform, most cadres and staff and workers become supportive of the housing reform.

While mobilizing people's thinking, we work hard to help cadres and the masses to solve various practical difficulties they encounter in the course of the housing reform. This reform has affected some staff and workers more than others. Although we have taken corresponding measures, not all the problems can be solved. The municipal party committee and the municipal government repeatedly emphasize their determination to overcome the bureaucratism such as that expressed in indifference to the people's difficulties and remind people that they will not leave the plan unattended to after its implementation. They carry out investigations of each household that encounters great difficulty, such as those that have lost a spouse, or in which either the husband or the wife is a temporary worker or is unemployed, and so on and so forth, and try to understand their situation. Households that have to spend a lot more on housing than before will receive suitable reduction, exemption and subsidy on their additional spending under the principle of the more housing the more money during a certain period of time. With the average per-head income and usable floor area of each family as criteria for the rate of reduction, exemption and subsidy, the higher the per-head income and the larger size the housing, the lower rate of reduction, exemption and subsidy; and the lower the per-head income and the smaller size the housing, the higher rate of reduction, exemption and subsidy. Households with special difficulties enjoy total reduction and exemption. We have also requested the units concerned to pay special attention to discover problems that are not included in the current policy so as to perfect them in time.

Although our housing system reform is at an initial stage, and the merits brought about by it are limited, yet several merits have appeared since the introduction of this reform. They are: It helps speed up cost recovery in housing investment and gradually relaxes the tight housing situation; it helps mobilize the people's incentive in purchasing housing; it helps overcome many shortcomings in the distribution of housing; it helps reform the unreasonable consumption pattern and industrial structure; and it helps realize the diversification and practicability of housing design and construction. We believe that with the continuous intensification of reform and the passage of time, the effects of reform will be more and more evident.

**A Good Book of Great Academic Significance—  
Thoughts on Reading 'Rural Areas in China  
Before Liberation'**

40050104e Beijing HONGQI [RED FLAG] in Chinese  
No 23, 1 Dec 87 pp 30-31

[Article by Sun Xiaocun [1327 2556 2625]]

[Text] Volume 1 of "Rural Areas in China Before the Liberation," a large-scale selection of articles edited by Chen Hansheng [7115 5060 4563], Xue Muqiao [5641

2550 2890], and Feng Hefa [7458 0735 3127], is published by Zhanwang Publishers, China. Volumes 2 and 3 will follow suit. (The book is in three volumes.) The selection has great academic value for research on theories in many disciplines, such as the history of the Chinese revolution, political science, economics, history of economic thoughts, scientific socialism, sociology, and so on and so forth. Here are some personal thoughts on this book.

1. Systematic. The book is a selection of the CPC's programs, resolutions, principles, policies, and laws on the questions of peasants and land during various historical periods of the new democracy. It helps us to fully understand how the CPC's knowledge of Chinese rural areas gradually became more profound and enhances our understanding of the road of rural areas surrounding cities. Besides, during the new democratic revolution, a contingent of Marxist theorists, under the leadership of the CPC, was engaged in a long-term struggle against imperialistic scholars, Trotskyist theorists and various types of reformists around the question of how to understand the nature of the Chinese society. The focus of the struggle was on how to understand the Chinese village. All the three editors of the book under review had made great contributions to that struggle. With their familiar knowledge of history, they are able to make a more thorough selection of the more influential Marxist documents during different turns of the struggle. As Comrade Xue Muqiao points out in the preface, these articles were first published in different newspapers and periodicals. With the passage of time it has become difficult for scholars of rural economy to have systematic access to them. The book under review is a solution to this problem. It gives us a profile of the struggle of the contingent of Marxist theorists before the Chinese liberation and helps us to understand the gist of it.

2. Scientific. A commonality of the selected articles is that they all investigate and attempt to solve the practical problems of the Chinese revolution from the Marxist perspective. Some of them are models in this aspect. Examples are Mao Zemin's [3029 3419 3046] "The Chinese Economy During the Third Stage," Zhang Wentian's [1728 5113 1131] "An Investigation Into the Nature of the Chinese Economy," Wu Liping's [0702 7812 1627] "The Question of Land in China," Xu Dixin's [6079 3321 2450] "The Question of Peasants' Livelihood in Rural Bankruptcy," Qian Yishi's [6929 0076 4258] "A Review of the Contemporary Chinese Economy," and so on and so forth. These articles reflect profound knowledge and perceptive analysis of the whole situation. Not only were they inspiring then, they gain applause from today's readers too. That they are so powerful is all due to the authors' grasp of the scientific Marxist method. In their analysis of problems, the authors did not start from abstract concepts or deliberately play mysterious word games. Rather, on the basis of in-depth investigation and systematic collection of a large amount of data, they carried out the difficult task of screening true and precise data from false and crude

ones, grasping the basic layout of the issue from distracting and confusing surface phenomena, and then presenting it in simple language. From these articles we learn not only about viewpoints, but more importantly, practical and realistic research methods.

3. Practical significance. While the articles are on issues of the past, their significance applies to today's reform and construction too. For example, while their emphasis is on analyzing production relations in old China, the articles also deal with the state and nature of productive forces as well as social relations, ideology, and customs then. In our construction of socialism with Chinese features today, we must be clear about China's situation. For this reason the book in question can provide us with inspiration from history. In addition, in order to reform the unreasonable price system, we must be clear about the causes behind the present price system. In this aspect, apart from mistakes in policy-making, the historical legacy should not be neglected either. From relevant analyses in the book we can see how the price scissors of industrial and agricultural products widened under imperialist manipulation and control and the damage it had brought to the development of China's economy. In this way, we can understand more clearly the starting point and direction of price reform and the long range and difficulty involved.

This book is edited mainly for comrades who are engaged in theoretical research. At the same time it can be used to educate the masses about patriotism. The large amounts of information, data, facts and examples in the book present to us again the tragic history of a semicolonial and semifeudal China. Young people who do not know what old China was like can obtain perceptual knowledge about it from this book and will then understand their happiness today did not come easy. This will stimulate their passionate love for our socialist motherland.

I am grateful to the three editors and Zhanwang Publishers for having published a good book for us.

**'Lectures on Socialist Commodity Economy' Must Be Scientific and Rigorous, and Easy To Understand**  
400501040 Beijing HONGQI [RED FLAG] in Chinese  
No 23, 1 Dec 87 p 31

[Letter to the editor from Hu Jun [5170 6874] of the economics department of the People's University of China]

[Text] Dear Editor,

I hold that the "Lectures on Socialist Commodity Economy," which began in HONGQI issue No 14, were good ones. An important content of the economic structural reform that we are now undertaking is about the ways for giving full play to the relations of commodity money, as well as the roles played by the law of value. These

lectures may help the cadres to understand more profoundly the socialist commodity economy, and to improve their understanding about reforms.

Being in the form of lectures, they must contain expositions which are easy to understand while being scientific and rigorous. Basically, the two articles of the column which I read have achieved this aim. Nevertheless, they were not explicit enough in some areas. After careful consideration, I feel that though they were easy to understand, they were not very rigorous. For example, when talking about causes for developing the relations of commodity money in the ownership by the whole people in his first and second lectures, Comrade Zhang Zhuoyuan [1728 0587 0337] said that labor was still the major means of life. Therefore, the contradiction of differentiation of economic interests among laborers still existed. In other words, to a certain extent, there existed the "relations in which each person takes his counterpart as a foreign party," which must be readjusted and handled by means of the principle of exchange at equal value, thereby developing the relations of commodity money. Proceeding from the differentiation of economic interests and the contradiction, as well as the fact that each person took his counterpart as a foreign party, this have proved the relations of exchange at equal value. But it lacked the necessary links. People will therefore ask: Why is it that the differentiation of economic interests will call for the exchange at equal value but not other kinds of exchange relationship? Why is it that the differentiation and contradiction of economic interests among laborers working under the socialist public ownership will call for exchange at equal amount of labor (distribution according to work) but not the exchange at equal value (distribution according to value)? Therefore, the above conclusion did not really give an answer to the questions. In fact, this has only taken a confirmation of a sketchy fact to serve as an explanation for the cause.

Furthermore, in the third point of the same section, the writer took the Marxist pattern of distributing labor certificates as a direct distribution of payment in kind, which was not the original meaning of Marx. According to Marx, labor certificates referred to the nature, instead of the specific form, that under the condition of public ownership, they were to certify and to realize the remuneration deserved by the laborers. Marx had precisely explained this nature. It is because no individual sells his labor or commodity to society. What he gains therefore cannot be any form of the money independent from the commodity value, nor can it be the money which equals to the general value of commodities that he has sold (just by proceeding from the relations where an individual obtains his remuneration from society for his services). Instead, it can only be a certificate of labor contribution. Such interpretation conforms to our current and actual relations. What else can it be except that the money wages that every one of us obtains from the state are the certificate of labor contribution? As for the specific forms of certificate of labor contribution, Marx said nothing in this respect in his expositions and Engels gave

no rigid pattern. Moreover, Engels argued that it might take the form of a coin ("Selected Works of Marx and Engels," Vol 3, p 341). Hence, we can see that to simply regard the Marxist theory on the certificate of labor contribution as a distribution of payment in kind and to totally deny it may not be the original meaning of Marx.

**An Assessment of 'Quantitative Historiography'**  
40050104f Beijing HONGQI [RED FLAG] in Chinese  
No 23, 1 Dec 87 pp 32-38

[Article by Ma Xueping [7456 7185 5493]]

[Text] The employment of computer science, information theory and mathematics in the historical discipline and carrying out historical research through the processing of data, the formulation of mathematical models and other methods is in the West referred to as "quantitative historiography." After it began in the latter part of the 1950s, it called itself "new scientific historiography" and it had a great spirit of turning historiography into an "exact science" like the natural sciences, as if wanting to replace traditional historiography. As it developed into the early 1980s, it passed its period of greatest force and entered a period of introspection and reassessment of direction. It has just begun in China, and at present only the history departments of a few schools are engaged in research in this area. However, because quantitative historiography has appeared with the look of "new scientific historiography," it is inevitable that there will be people in China's academic circles who want to "completely scientize" Chinese historical research through quantitative methods and thus place great hopes in it. Some people even feel that the use of quantitative methods to explain history will allow historians to surmount their subjective ideologies and value concepts so that they can avoid bias. Thereby it will be possible to carry out purely academic discussion, avoid problems whereby each side sticks to its own claims and thus will enable questions to be resolved objectively. Thus, fully understanding the past and the present of Western quantitative historiography and using a social science methodological basis—a historical materialist viewpoint—to appropriately assess it and correctly understand its role and defects, is clearly necessary if we are to make correct use of quantitative methods in historical research.

## I

In the West, the application of quantitative methods to historical research can be traced to the last century. Through the development of economic history (including population and statistical studies), researchers no longer simply collected stories about emperors, kings, generals and prime ministers or heroes and beauties. Rather, they began to use previously unused materials to research widely existing social phenomena. This produced a need for quantitative methods. In the latter part of the 19th century, many scholars centered their attention on the relationship between statistics and historical

research. The six-volume "A History of Agriculture and Prices in England" (published 1866-1887) by the English economist Rogers can be considered a representative work of this type. Marx read the first two volumes of this work and affirmed the author's use of statistical data, saying that this was "a true, reliable price history." ("Collected Works of Marx and Engels," Vol 23, p 738, Note 138)

From the end of the 19th century to the first half of this century, quantified historical research saw further development. On the one hand people sought a theoretical basis for quantitative analysis (especially in political economy), while on the other hand they strove to use quantitative methods in social history, political history and other historiographical disciplines which used qualitative analysis. The book "The Development of Russian Capitalism" by Lenin used statistics in historical research. The famous contemporary Polish historian Topolski has pointed out: "This book contains both a systematic analysis of the social structure (the problem of the formation of social strata) as well as a dynamic description of social phenomena through chronological tables. As quantitative and qualitative research are combined throughout, this book has become a model for the use of statistics in researching the development of a certain phenomenon (the capitalist system), that is, in carrying out research on both structures and developments." (Topolski: "Methodology of History," Warsaw, English edition, p 485) Some Western economists took the lead in developing quantitative historiography. The French economic historian F. Simiand and especially E. Labrousse fostered an entire generation of French "quantitative" historians. Also, the majority of the works of Febvre and Bloch, the founders of the "Annales School," are quantitative. However, none of these works can be considered, in the strict sense, to be quantitative historiography. What we refer to today as quantitative historiography cannot be separated from the use, in historical research, of the computer science, information theory and mathematics of the era of scientific and technological revolution.

The United States was the first country to develop quantitative historiographical research, and 1957-58 was the period in which it began. At that time, Harvard University economic historians A. Conrad and J. Meyer published an article detailing the principles of quantitative analysis and the specific methods, and applied them to some specific questions in U.S. history. In 1962, the American Historical Society established a permanent committee to study the issue of quantitative analysis. Subsequently, a quantitative historiography journal was published and the number of monographs and articles on this subject began to increase. After R. Fogel put forward his "A Preliminary Explanation of 'New Economic Historiography'" at the American Economics Society in 1963, economic history using modern quantitative methods began to be referred to as "new economic history." After this, quantitative methods became popular for a time in the United States. According to an

investigation by Fogel, in 1966 one-third of the articles in the "Journal of Economic History" used quantitative methods, while in 1968, two-thirds of the articles used them. He felt that if this continued, in another 6 or 7 years, perhaps 100 percent of the articles would be in the area of quantitative economics. Following this, the quantitative method was adopted for research in political history and social history, producing "new political history," "new social history," "new family history" and so on. The proponent of quantitative historiography in France was J. Marczewski. The historical research center which is the sixth section of France's Ecole des Haute Etudes is the headquarters of quantitative historiography. After 1956, when Braudel, the second-generation master of the "Annales School," took up the appointment as head of the sixth section, the magazine "Annales: Economics, Societies, Civilizations" published the results of a large volume of quantitative historiographical research. Since the 1960s, quantitative historiographical research has also been developed in the Soviet Union, Britain and other Western countries.

The 1960s and 1970s were the periods of take-off in Western quantitative historiography, and the quantitative historians assumed the arrogant air of responsibility that if they did not develop "scientific" history, who would? One of the new economic history proponents in the United States, D. North, said that new economic history provided a new road which would basically transform historical research. Fogel held that using quantitative analytical methods to study the history of the Negro slave system was an extremely courageous plan which, on a reliable quantitative basis, would transform the entire economic history of the United States. The famous contemporary French historian of the "Annales" school, Emmanuel Le Roy Ladurie held: "If historiography cannot be quantified, it cannot consider itself science." With full conviction he said: "Looking to the prospects for historiography in the 1980s, it can be bravely predicted that, in this field, tomorrow's historians in order to continue to exist will have to formulate computer programs."

However, by the end of the 1970s and the early 1980s, not only have nonquantitative historians subjected quantitative historiography to more rigorous criticism than before, but the quantitative historians have expressed an intention to change. For example, Ladurie, who had held that history could not be a science without quantification, at the beginning of the 1980s required that people be vigilant: "Stubbornly pursuing quantitative methods and information technology involves the danger that we will push history toward iron-hearted technologism." He even held that the "information technology which wildly pursued quantitative research" from the 1950s to 1970s was a "deviation" and that it was necessary to "correct" this by "forms which return to (historical) reality and return to innermost feelings." In the past Fogel held that mathematical methods had a universal applicability and proposed drawing support

from quantitative methods to thoroughly transform historiography. Now he has to talk about its limits and recognize that quantification cannot change history into a science, and rather just expands the fully-grounded field of scientific knowledge on which historians can base themselves.

The censure forthcoming from the historians of non-quantified history was even more intense. The famous U.S. historian L. Stone held that both the hypothesis on which the new history of the early 1970s had been based and "scientific historiography" had, for the most part, been negated. The noted U.S. historiographer G. Iggers also held that in the last few years people had expressed deep disillusionment in respect of the quantitative methods which formed the core of so-called scientific historiography.

From the development and changes of quantitative historiography, we can see that the Western scholars have been biased through either excessive praise and expectations or through excessive criticism and suspicions. From this we should be able to see its superiorities as well as its restrictions.

## II

There are naturally reasons and superiorities which enabled quantitative historiography to come to the fore in the historiographical world. Here, from among the many achievements enumerated by historians, several major aspects are taken and discussed:

First, the greatest achievement of quantitative historiography is that it put forward a more scientific quantitative analytical method. Historiography should not and cannot be completely quantified like the natural sciences. However, the use of a more precise, more scientific quantitative methodology can still be regarded as one of the rational methodologies. A quantitative method can determine macroscopic variables in terms of social structure and activities. These variables are suited to being handled in tables and columns by machines and to the use of relatively complex statistical procedures in reckoning. This at least may make some concepts more concrete than nonquantified concepts.

Second, the collection, storage and handling of historical data by electronic computers can ensure that the huge volume of historical materials can be fully utilized, and will aid in the exploration of new materials in historical research and the posing of new questions. For example, although the European Middle Ages are considered a "desert in terms of documents," a large number of documents and rolls do still exist. However, their contents are extremely miniscule and a small number of researchers must devote the efforts of their entire lives to bringing them the world and still sigh that "life has limits but knowledge has no limits." In Florence there is preserved a "land register" from 1427 which includes detailed information about 50,000 households. In the

past researchers on seeing this huge thing could only bemoan their inadequacy for the great task. Thus it lay neglected for over 500 years. However, today D. Herlihy and C. Klapisch of the United States, through reliance on computer technology, have in one go swallowed this whole "land register." There is even more voluminous data such as the various pre-1200 documents of Western Europe—mainly recording subscriptions, exchanges, sales, leases and other land transfer pledges—which number over 100,000. There is no way to handle these other than through electronic computers. Under the initiative of quantitative historiography, new historical sources have been constantly emerging. Historical materials such as government budgets, details of company and individual income and expenditure, the results of household or agricultural investigations, electoral records for various social organizations and the various levels of state legislative organs, rolls for individual legislative meetings, biographies of famous people and data from ordinary genealogies, parish baptismal, death and marriage registers, medical records from hospitals, school attendance registers and so on, can all be changed into "machine-readable data."

The use of scientific quantitative methods can, on the basis of expanding the scope of historical materials, also propose new questions. For example, for a long time, the Paris land-rent archives for the 15th to 17th centuries lay buried in the public records archives among the rarely-researched accounts of hospitals and convents. In a short time, through the use of electronic computers, historians of the French Ecole des Haute Etudes brought these records to light from the dust-laden piles. Thus not only was it possible to compile average Paris land rent curve graphs and 100 other related charts, but new questions such as when Paris experienced real economic resurgence, whether it really experienced "the prosperity of the 16th century" and the "crisis of the 17th century" or the post-Middle Ages depression, were put forward. This also provided people with a more reliable basis on which to explore these questions.

Through the use of computer technology it is also possible to produce at one stroke "machine-readable tapes" which contain all the collected information. This is of convenience in both storage and retrieval. Establishing historical data stores on this basis will simplify the use of data by researchers and will save them great effort.

Third, the new research methods put forward by quantitative history, such as "aggregation" and the "anti-fact hypothesis" provide an avenue for resolving various questions in terms of historical principles and questions which have long been contentious. First let us talk about the aggregation method. Fogel, when differentiating traditional historiography and quantitative historiography, pointed out that one of the differences between the two is that the former is concerned with individual things while the latter is concerned with group things. Topolski also praised quantitative historiography for being able to

provide an "en masse" explanation of facts. The aggregation method requires that historians extend their focus of interest to mass daily-life phenomena, not to the lives of outstanding persons. The U.S. historian Herlihy said: "Quantification unavoidably involves aggregation. It means that historians using computers are only interested in group activities." For example, when researching the history of the workers' movement, the major thing is not to study the policies of the leadership level of the large unions, but rather to place importance on the study of the basic-level organizations and the activities of small unions. They use local archives and newspapers as their basis and stress the elaboration of a series of questions such as the composition of the working class, the situation of workers who are working away from their own domiciles, the level of worker education, the influence of the church, and changes in the makeup of the bourgeoisie. In political history research, it involves not only paying attention to the number of ballots for key legislation, but also collecting details of all ballots for major legislation and even of some overall ballots in legislative meetings. The new American social historians refer to this method as the "from the bottom up" model. In our view, this method means that the Marxist theory that the masses are the creators of history is proven even more precisely on the quantitative level.

The place where quantitative history methods differ most from traditional historiography is in the models they manufacture to simulate the phenomena and processes of history (mathematical or logical). In this area, the most commended model is the anti-fact imitative model, also called the "anti-fact hypothesis." The characteristics of its production are: It targets an event which actually happened in history, and produces a model based on a situation as if this event did not occur. Then a comparison is carried out between the structure and data thus obtained with the situation which actually occurred in history. Thereby it is found whether or not this actual event truly had the role ascribed to it by traditional historians. In the 1960s and 1970s, the new American economic historians challenged several of the traditional explanations of major events in American history. These questions were: Could the cause of the American War of Independence have been a response to the economic losses resulting from the policies of the English colonial authorities? Did the railway construction in the 19th century really promote the development of the American economy? Did Roosevelt's "New Deal" truly eliminate the problems which had been created by the slump in the 1920s and the 1930s? In respect of these questions, they created a series of false historical models and then using complex computer technology, calculated various figures and used these to appraise the differences to the American economy in terms of what did happen and in terms of what would have happened if these events did not occur. For example, they hypothesized that in the latter half of the 19th century, there were no railways at all in the United States and that all transport

relied on traditional methods (water transport and animal-power vehicles), and using this model they calculated a figure for the growth in the U.S. economy. The result was that growth figure without the railway would have been only about 5 percent lower than the growth figure with the railway. Because of this insignificant amount, they held that the railways did not have a major influence on the development of the U.S. economy. However, many people oppose this model using hypothesis and deduction, and hold that statements in historical science should be conclusions about events which actually occurred, and not about hypothetical things. At the moment we will not involve ourselves with the debate in this respect, but what should be acknowledged is the research method put forward by the models produced whereby historical facts are grasped from the reverse side.

Quite a few achievements have been realized by quantitative historiography, but many problems still exist. Seen just in terms of Western historians' criticism, there are at least the following points:

First, quantitative analysis cannot exist by itself and should be combined with qualitative analysis. The qualitative and quantitative questions of history cannot be separated from each other. If quantitative research in history does not have quantitative research as a base, its determinations will lack a basis. However, if quantitative research is not raised to qualitative research, it will only be numbers which cannot explain questions. Thus, the Englishman R. Floud feels that neither of the two can replace the other and neither can consider itself to be the entire field of historical research.

Second, the character of historical materials determines the defects of the use of quantitative methods. Quantitative methods can, on the basis of scattered materials, form various historical models, and any missing links can be filled in through logical linkage or comparisons with similar materials. However, this often violates the principle of "criticism of historical materials" in historical science. In general, the primary consideration is the examination of materials. For example, in their book "The Economics of American Negro Slavery," Fogel and Engerman lack the spirit of being critical of historical materials. They knead together data from different sources, different places and different times, and thus of course their results are not scientific. Stone has pointed out that the erroneous conclusions arrived at in this book show that quantitative methods, no matter how mature, cannot provide explanation for erroneous sources or defective sources. This is what the computer experts call the "GIGO effect"—if you put rubbish in, rubbish comes out.

Third, computers can only use formal language to express quantifiable things and their relationships. If the achievements of historical research are all explained in the language of mathematical processes, functional formulas, and statistical charts, not only will it make most



readers feel that it is dull and uninteresting, but it will go against the nature of historical science. Clearly in the totality of historical knowledge, the content and the form, quantitative analysis and qualitative analysis, as well as the tangible and the intangible components are all interwoven together. Thus, what historical narration requires is not the language of a unitary form but the language of diverse images. If historical research is too far divorced from the masses, it will lose its social function. Western historians have a tradition of stressing the social function. For example, they have said: "History is life's teacher," "history is the object teaching of morality," "history is the epic of a nation," and "history is a tool of social reform." There is also the famous saying of the great poet Goethe: "The best thing we get from history is the passion it induces." With quantitative history works which are crammed with formulas and tables, it is very difficult to realize the many functions of history.

### III

It is insufficient when assessing the advantages and disadvantages of quantitative history to just look at it from the methodological angle. In assessing whether historiography is scientific or not, the most basic aspect which has to be examined is whether the historical viewpoint is correct or not. Some Western critics also look at the matter in this way, but they criticize the historical viewpoint of quantitative historiography as being unscientific. They basically maintain a suspicious attitude in respect of the possibility of making historical research scientific, and hold that what history is concerned with is specific, individual things and not collective and countable things. They think that the "value" or "meaning" of historical events is nonquantifiable. Iggers has pointed out that as far as the historians of the West in the 1970s and 1980s are concerned, while there is meaning in historical themes, this meaning cannot be turned into a pure, calculable figure, but rather needs to be understood. This term "understand" refers, in the field of historiography, to the meaning given to it by the 19th century German historian Dilthey, that is an innate, perceived form of understanding, similar to the term "emotional empathy" in aesthetics. This shows that Western historians have recently tended to return toward subjectivism and intuitionism. Using the words of the American historian Edward Sa-wei-si: "History and the universe are as abstruse and unfathomable as ever" and "in this unforeseeable universe, the difference between chaos and order is something subjective.... A reaction to the challenge of such an unforeseeable universe is the revival of historical interest in the oldest, almost mythical things." This was a new direction in the development of Western historiography in the 1970s worth paying attention to and is another change of signpost on the road of Western historiographical development.

The critical juncture of this change of signpost was in the change of historical viewpoint, and from the self-criticism by some quantitative historians, we can see the

exact details. The reason Ladurie did his utmost in the 1960s to exaggerate the role of quantitative historiography was that at that time he (and others of the "Annales School") proposed paying little attention to "the history of events" and paying great attention to "long duration" and "structural" research. This road of research inevitably meant that the logical level would need to intersect with mathematics or statistics, and incline toward quantitative historiography. However, at the end of the 1970s and the beginning of the 1980s, the "Annales School" required the restoration of the "rights" of events in historiography. Ladurie's "Le Paysans de Languedoc" which was published in 1966 stressed the environment, weather, population and quantitative analysis (it also paid attention to social and political struggle). However, "The Roman's Carnival" which he published in 1981 concentrated attention on social and political events. Thus, in the early 1980s when he reflected on quantitative historiography, he proposed a return to historical events and internal feelings to "correct" the "bias" of technologism. As far as Marxist historians are concerned, this is no different from "climbing trees to look for fish" because from its foundation until now, the problem of quantitative historiography has been that it has been divorced from the scientific materialist view of history.

From the beginning, quantitative historians have tried to combine quantitative method research with a theoretical analysis of the object of the research. However, the theory they use as a base is only micro-level economic theory, and is bourgeois. When the American new economic history school was first formed, it was subject to the influence of the "economic growth theory" of economist W. Rostow. This theory particularly stressed the role of quantitative methods and rejected qualitative analysis of social structure, class relationships and such categories. Iggers profoundly pointed out: "The research carried out by the American new economic historians includes an effort to abstract economic processes from the wider network of social and political relationships." The materialist view of history holds that we should examine economic phenomena from the macro-level social structures and the patterns of their movement. This will be of assistance in providing an overall explanation of mankind's economic course, and in understanding the nature of economic phenomena. The materialist view of history opposes "nonhistorical abstraction", and quantitative historiography often falls into nonhistorical abstraction. This is fully manifested in the research on the historical role of the railways and the Negro slave system in the United States.

The traditional historiography of the United States holds that the building of the railways was a revolutionary factor in the development of the U.S. economy, while the new economic historians have posed a challenge to this view. First through the hypothesis method they placed a lesser value on the role of railway transport in the development of the U.S. economy, and affirmed that the old-type water and land transport could play a similar



role. This hypothesis overlooked an indisputable fact: The building of the railways promoted the development of mining, coal and even agriculture, and facilitated the formation of a unified domestic market within the United States. The railways were the most advanced form of transport at that time, and this resulted in the transformation of the capitalist production management methods. It was in fact in some railway offices that the trust phenomena first appeared, thus opening avenues for the development of monopoly capitalism. All of these points prove an indisputable truth of Marxism: Technological development produced a great revolution on the socioeconomic level. Fogel and other people only looked at the amount of "public deposits" provided by the railways. Further, their methods of calculation were subjective and had no basis. Just think, if there were no railways and transport volumes increased speedily, how could water transport and animal-power transport prices have been the same as when there were railways?

In terms of the history of the U.S. slave system, the research results of Fogel and Engerman, which caused a stir for a while, also appeared right but were actually wrong. In order to prove that on the eve of the Civil War, the slave system in the South had good prospects and was full of vigor, they used a large amount of materials and complex quantitative analysis technology, and calculated that labor productivity of the slave system in the South grew at an annual rate of 2.9 percent, that the average annual profits of slave-owners on their investment in the cotton plantations was 10-12 percent, that the efficiency of agriculture in the South in using production resources was 40 percent higher than in the North, and so on. They believe that if it were not for the Civil War and the freeing of the Negro slaves, this helical growth tendency would have continued, and thus have come to the conclusion that the war between the North and the South did not have any profound economic causes. Clearly, this is class bias. They have cooked up the old myth of a fine slave system. They completely fail to see that the growth in the profits obtained by the slave-owners was obtained at the cost of the labor of the slaves which was physically and spiritually consuming. They only look at the growth in slave labor productivity (because of quantitative advantage), and do not recognize that slave labor inevitably resulted in a long period of backwardness in production technology, thereby affecting the economic development of the entire United States. Neither do they recognize the sequelae which the poison of the slave system has produced in U.S. social life, which even today require that a high price be paid. Also, in terms of methodology, their way of calculating labor productivity is not beyond dispute. In 1976, at a meeting at Moscow University, the Soviet scholar Kewer-qin-ke, pointed out in a debate with Fogel that in assessing the rate of profitability of slave or free labor, the labor consumption in each product must be appraised, the intensity of labor of the slaves and of free

persons must be considered, and the different amounts of exploitation to which they are subject must be calculated. The new economic historians have turned a deaf ear to all these points.

Actually, 100 years ago, Marx used unquestionable historical materials and a qualitative class analysis method to show the nature of the Negro slave system. When demonstrating the obstructive role of the slave system in terms of the development of production technology, he pointed out that on the eve of the Civil War, the slave-owners of the various slave-using states in the South would only let their slaves use the most cumbersome tools, so cumbersome that "no reasonable person would give such tools to their employed workers to use." The reason for this was that they wanted to prevent the slaves from intentionally damaging the tools as a result of class indignation. Thus "the economic principle of this production mode was the use of the most rough and cumbersome, and therefore most difficult to damage, tools." Marx also pointed out that because of the export of U.S. cotton, in order to increase production, the slave-owners could only increase the exploitation of the slaves. It was "no longer the squeezing of a certain volume of use products from the Negroes" but "the desire to produce surplus value itself." Thus sometimes in only 7 years a slave's life would be exhausted. (See "Collected Works of Marx and Engels," Vol 23, p 222, Note 17 and p 264) Marx also described, from a macroscopic historical overview, the influence of the slave system on employed workers and the economic significance of the North-South war. He said: "In the North American United States, as long as the slavery system continued to debilitate part of the republic, all independent workers movements were paralyzed. In places where Negro labor was branded as humiliating, the labor of white people could not be freed. However, from the death of the slave system, there immediately appeared a renewed youthful vitality. The first result of the war between the North and the South was the movement struggling for the 8-hour day" and this movement led to the "International Workers' Congress," held in Geneva in 1866, passing a resolution on the restriction of working days. ("Collected Works of Marx and Engels," Vol 23, p 333)

It can be seen that the use of quantitative analytical methods in historical research still requires the guidance of a correct historical viewpoint. Only thus can there be correct selection and explanation of the historical data which is put in and that which comes out. When quantitative historiography first started, Toynbee came to a sensible conclusion about it. He said: "Those people who write programs for computers and those people who receive the computed results and explain them are still people in a certain space and time, and they have their own subjective attitudes in respect of human affairs. It can be put this way—a computer cannot change a person's soul, and even if it could, it would still have its own biases." "Biases" in fact belong to historians with class biases.

Marxist historiography completely affirms the positive role of quantitative analysis in historical research. It can liberate historians from the handling of numerous, tedious and boring historical materials and from the labor of having to recall things, so that they can spend more time engaged in theoretical thought and creative work involving synthesis, summary and the exploration of patterns. Today in many sciences, the use of information technology is inseparable from the cultivation of professional quality. But it needs to be made clear here that all advanced methodologies in social science research can be either used correctly to understand the truth or be wrongly used to distort the truth. The key to whether they are correctly used or not is determined by the different worldviews. Thus, the only correct route for quantifying historical science and making it precise is, under the guidance of a materialist historical viewpoint, to combine quantitative analysis and qualitative analysis. The road traveled by the Western quantitative historiographers is our warning. Being infatuated with the technology of quantitative historiography and raising it to a dogma will mean that the overall and specific processes of historical development will be overlooked, and the exploration and description of the patterns of historical processes will be rejected. Also there will be a fondness for new positivism in the compilation of history, and there will be a return to the old traditions of the Western historians of the 19th century.

Since the times of Confucius, Sima Qian and Ban Gu, our country's historians have had the fine tradition of "true records" and "correct writing." However, in terms of historical data and narrative forms, they lacked a scientific spirit and accuracy. Moreover, before the Ming and Qing dynasties, they lacked the extremely rich first-hand archival materials such as those which were preserved in Europe subsequent to the Middle Ages. However, China's official histories, unofficial histories, and the various collectanea and local gazetteers preserve a large volume of useful primary data. Also, in the modern and contemporary history area, there is still a large volume of very rich archival materials of various sorts which awaits exploration. These can be handled using computer technology. More important is that we have the guidance of the Marxist scientific worldview and methodology. By organically combining these two aspects, China's quantitative historiography will have a brilliant future.

**Why Is It Said That Socialist Structural Reform Is One More Revolution in Terms of the Breadth and Depth of Social Change That It Has Induced?**  
*HK230715 Beijing HONGQI [RED FLAG] in Chinese No 23, 1 Dec 87 pp 39-40*

[Article by Song Tingming [1345 1694 2494]]

[Text] China's rural and urban reforms have been implemented for 9 years. In general the period can be divided into three stages: The first stage was from the 3d Plenary Session of the 11th CPC Central Committee, held in

December 1978, to the 3d Plenary Session of the 12th CPC Central Committee, held in October 1984. The focal point of the reform was rural reform, while partial experiments and explorations were carried out in urban areas at the same time. The second stage was from the 3d Plenary Session of the 12th CPC Central Committee, held in October 1984, to the 13th Party Congress in October 1987. The focal point was urban reform and the second phase of rural reform was deepened at the same time. The third stage is since the 13th Party Congress, when political structural reform was put forward on the important agenda of the whole party. China will enter a new stage of all-round political, economic, scientific, and technological and educational reform in this stage. The width of the scope, the profundity of the effects, and the significance of the results of the rural and urban reforms during these 9 years are unprecedented in over several thousand years of the history of Chinese civilization. As pointed out in the report to the 13th Party Congress: "The socialist structural reform is one more revolution in terms of the breadth and depth of social changes it has induced."

First, China's reform is an overall reform involving all-round reform in the realms of politics, economics, and social life. Since the new democratic revolution and since China successfully entered the path of socialism, a socialist political system, which is led by the Communist Party and which has adopted the policy of people's democratic dictatorship, a socialist economic system, which takes public ownership of the means of production as the main body, and an ideology, which follows Marxism, have been established. From an overall perspective, they match the requirements of the development of the social productivity of China and have promoted China's economic development. As a result, the economic power and defense capability of China have been greatly strengthened, and educational, scientific, and cultural undertakings have also achieved significant development. However, due to the fact that China is still in the initial stage of socialism, the level of development of productivity is not high, the commodity economy is not developed, and science and technology are backward, and, in addition, that it has been affected by foreign models and "leftist" thinking for a long time, the economic structure, political structure, and other concrete systems and regulations of China have many drawbacks and the development of productivity has been constrained. For instance, in the political structural aspect, the phenomena of failure to separate party from government and to substitute government for party are very common. In addition, power is excessively centralized, and basic level offices and enterprises do not have the decisionmaking power they should have; government organizations are huge and have too many levels and personnel, while the problem of bureaucratism is very serious; and the cadre personnel system is not sound, no legal concepts are employed in choosing personnel and outstanding people cannot get the opportunity to show their abilities, and malpractices in choosing personnel cannot be avoided. Apart from these things, the social

democratic and legal systems are imperfect and the democratic rights of the masses cannot be fully protected, and so forth. Many drawbacks can also be found in the economic structure: Government functions are not separated from party functions, and enterprises are directly managed by administrative orders and mandatory plans and do not have the power to make production and operation decisions; the roles of the law of value and market mechanism are ignored, thus restricting the development of commodity economy; the structure of the ownership system is too unitary, and enterprises are too eager for results and net profits and have ignored the development of economic sectors with diversified ownership systems; egalitarianism and the practice of "eating from the same big pot" are adopted in distribution, thus dampening the enthusiasm of the workers; and so forth. Apart from these things, in the realm of the superstructure, particularly in the ideological realm, feudalistic and capitalist thinking and the force of habit of small production still have wide influence in society, and so forth. In view of these drawbacks, we can only insist on implementing reform so that these drawbacks can be gradually rooted out and the superiority of the socialist system can thus be brought into full play.

Since the 3d Plenary Session of the 11th CPC Central Committee, reform and the policy of opening-up have been implemented by our party. We started from economic structural reform and first achieved a breakthrough in rural areas through the implementation of the system of contracted responsibilities on the household basis with remuneration linked to output. Then, reform and the policy of opening-up were implemented in urban areas in an all-round manner. In the aspect of economic structural reform, diversified economic sectors and management forms have been permitted and encouraged; expansion of the decisionmaking power of enterprises, the scope of self-management by enterprises, and the practice of enterprises shouldering responsibility for profits and losses have been stressed; individually operated industrial and commercial enterprises have been developed; the leasing system has been adopted by medium-sized and small collective enterprises and small state-run enterprises; and a diversified system of contracted responsibility has been generally adopted in large and medium-sized state-run enterprises. In addition, a socialist commodity economy has been vigorously developed, and the establishment and cultivation of a socialist market system have been accelerated. Moreover, at the same time as the commodity economies for consumption goods and the means of production are being established, markets in essential factors of production, such as funds, labor, technology, information, real estate, and so on have gradually been established to take a decisive step toward the commoditization, socialization, and modernization of production. Moreover, we have also taken the implementation of the policy of opening-up to foreign countries as a long-term basic national strategy. As a result, an opening-up pattern, which was initiated from coastal areas and advanced into inland

areas, has been formed. In addition, technology, equipment, funds, and management experience have been brought into China, thus accelerating the take-off of the Chinese economy. In 1985 the party Central Committee successively made decisions concerning the reform of the scientific and technological structure and the reform of the educational structure, and also carried them out in the whole country. The 13th Party Congress put political structural reform on the party agenda and put forward measures to separate party functions from government functions, to further decentralize power, to reform government organizations and the cadre personnel system, to establish a social consultative communication system, to perfect several socialist democratic political systems, to strengthen construction of the socialist legal system, and so on. The aim of these measures is to reform the present political structure, which emerged from the revolutionary war period and was established in the socialist transformation period, and which has been developed from large-scale mass movements and continual strengthening of mandatory plans. Such all-round structural reform is in fact a comprehensive and profound social revolution.

Second, the reform has not only touched the ideology and mentality of every individual, but pounded many old ideologies that have restricted people's thinking for a long time. This transformation of ideology will run through the entire initial stage of socialism. Structural reform in general is closely related to the transformation of old concepts and the establishment of new concepts. The Chinese nation is a hard-working, intelligent, and brave nation. However, the old ideologies and old habits that had been formed on the basis of small production for several thousand years are deeply rooted. Due to the fact that China had long been under semicolonial and semifeudal rule, people are constrained by the narrow small-production outlook and are satisfied with a self-sufficient natural economy. In addition, affected by the "leftist" guiding ideology, which began in the late fifties, people's minds are bound by ideological yokes. This situation became very acute during the 10-year "Cultural Revolution." In these 9 years of reform, with the transformation of the economic structure, steady growth of industrial and agricultural production, and gradual improvement of the livelihood of rural and urban residents, the mental attitude of people is also being changed in a profound way. The backward, foolish, and outworn ideologies that had been formed over these several thousand years have been pounded by the reform, and the force of habit of being satisfied with the present situation, lazy in thinking, fearful of change and reforms, and sticking to old conventions is being overcome. Moreover, new concepts of market, value, and efficiency and the new concept of respecting knowledge and capable personnel have penetrated the hearts of people day by day. People began to liberate themselves from the shackles of "leftist" ideology; and a trend of being

enthusiastic in reform, brave in development, and realistic in achieving results has begun to take shape. Therefore, in a sense, reform is a profound ideological revolution. Apart from this, we can also see that reform is in fact a readjustment and reallocation of power and benefits, and is concerned with the personal benefit of every individual. For instance, the reform of the price system directly concerns the personal benefit of the 1 billion population; the reform of the wage system is closely related to the benefit of the 200 million urban residents; the reform of government and party organizations will naturally involve changes in the power and benefits of the more than 200 million state cadres; the reform of investment and materials structures is also a readjustment and reallocation of power and benefits among government offices and between state and enterprises; and so on. The profound depth of the contradictions, poundings, and clashes occurring in the process of structural transformation caused by the reform is a great test to every party member, cadre, and member of the masses. As counted from the mid-fifties, when socialist transformation of ownership of the means of production was basically completed, to the basic realization of socialist modernization, the initial stage of socialism of China will take more than 100 years to complete. During this quite long period, we should insist on sustaining the implementation of reform in various aspects so that our targets can be realized. In the political aspect, socialist democracy should be vigorously established and developed; in the economic aspect, socialist commodity economy should be vigorously developed; and in the cultural aspect, socialist spiritual civilization should be constructed. This is to build China into a prosperous and strong, democratic and civilized modern socialist country. The practices in these 9 years have proved that reform is the only way to vigorously develop China. It accords with the will of the people and the general trend of events and it cannot be reversed. We can only speed up and deepen the reform so that we can advance continuously in the path of socialism with Chinese characteristics.

**Why Is It That China Can Embark on the Socialist Road Without Going Through the Stage of Fully Developed Capitalism, But Cannot Bypass the Initial Stage of Socialism Without Going Through Tremendous Development of the Productive Forces?**

*HK181354 Beijing HONGQI [RED FLAG] in Chinese  
No 23, 1 Dec 87 pp 40-41*

[Article by Zhang Wenkui [1728 2429 1145]]

[Text] This issue actually involves two aspects of social development: 1) changes in the two social factors, namely, fundamental changes in the relations of production and the entire social system; 2) changes in different stages of development under the same social system,

namely, the self-development and perfection of the relations of production and the entire social system as the productive forces develop. We should discuss these two questions.

The changes in the social system are determined by basic contradictions in society. They are also a complicated social process that involves various social functions. While expounding the law governing the development of human history, Marxist political economy points out: The fact that the capitalist system is replaced by a socialist one objectively demonstrates that the relations of production should conform with the development of the productive forces. It is also an inevitable outcome of the movement of opposites between the socialization of social production and private ownership of the means of production. However, this conclusion only explains the general law governing the development of human history, and stresses the historical inevitability of the replacement of the capitalist system by a socialist system. When and under what circumstances a certain country will embark on the socialist road is the realization of the general law, and a historical event occurring in the course of the movement of the general law. This should be differentiated from the general law itself. The fact that China embarked on the socialist road without going through the fully developed capitalist stage is precisely a historical change that occurred in the process of realizing the general law which governs the development of human history under special international and internal environments. As far as the international environment is concerned, the Chinese revolution took place in the period of imperialism and proletarian revolution, following the victory of the October Revolution in Russia in particular. Owing to imperialist rule over colonies and dependencies, and the reliance of big landlords and big bourgeoisie on imperialism, imperialism never allowed China to embark on an independent capitalist road. This was proven not only by the failure of the Chinese revolution which occurred during the 80 years after 1840, but also by the 22-year sinister rule of the Chiang Dynasty and the history of the world after World War II. Therefore, the only way out for China was to free itself from the capitalist system and embark on the socialist road. As far as the internal environment was concerned, on the one hand, the Chinese people had a strong desire to change the existing social conditions and made unremitting efforts to carry out protracted struggle. In particular, around the 1920s the Chinese working class entered the historical arena as an independent political force. On the other hand, owing to the weakness of the national bourgeoisie, it was impossible for the Chinese bourgeoisie to shoulder the task of leading the Chinese democratic revolution toward victory and independently developing capitalism. In such a way, the task of leading the Chinese democratic revolution was put on the shoulders of the proletariat and its political party. Therefore, after the victory of the new democratic revolution, China was able to embark on the socialist road under the leadership of the CPC by relying on the strength of the state power and other superstructure, and so on, and

through adopting a series of social measures in the political, economic, and ideological fields.

Briefly put, the fact that China embarked on the socialist road without going through the fully developed capitalist stage was not a subjective desire of a certain individual. It was an inevitable outcome of the movement of opposites and the intersecting role of both international and internal conditions. This is in accord with the general law governing the development of human history, and a fundamental Marxist principle on the relations between the productive forces and the relations of production on the one hand, and between the economic base and the superstructure on the other.

The changes in the stages of development in a socialist society are another problem. Such changes do not mean the replacement of one social system by another. They only mean the self-development and self-improvement of the same social system. This is a "natural historical process" in the development of social-economic formation. ("Complete Works of Marx and Engels," Vol 23, p 12) To accelerate the development of this process, we are not allowed to do something that is tantamount to helping the shoots grow by pulling them upward, or to impose social compulsion on it. We can only follow a down-to-earth manner to make efforts to promote the development of the productive forces. The development of the social productive forces is a process of gradual historical accumulation. People are not allowed to freely choose productive forces, or to overstep the development of the natural stages of the productive forces. Therefore, it is impossible for them to choose their present stage of development because it is determined by the level of development of the productive forces. In this connection, Marx made the following assertive comment: "A society might explore a general law which governs its movement.... It cannot overstep, or abolish by decrees the natural stage of development." (Ibid., p 11) When we link all this with the process of development of the Chinese revolution and construction, we may stress with perfect assurance: The fact that China embarked on the socialist road without going through a fully developed capitalist stage was the choice of history. In the meantime, we should also admit that since beginning socialism, the level of China's productive forces has still lagged far behind that of the developed capitalist countries. It is precisely because of the fact that we overstepped the fully developed capitalist historical stage that we are naturally not allowed to bypass the initial stage of socialism. This initial stage is neither short nor brief. If the duration is started from the 1950s when the socialist transformation of the private ownership of the means of production was completed, it will take at least 100 years for us to go through the initial stage of socialism.

We had a profound lesson to learn from the issue of overstepping stages of development. Nearly 20 years after the basic completion of socialist transformation, we

arbitrarily upgraded production relations and exaggerated counteraction of production relations and superstructure, showing no consideration for China's current conditions and the actual level of the development of productive forces. By relying on mass movements, we tried to overstep insuperable stages at our own subjective desire. We suffered much because of this. Since the 3d Plenary Session of the 11th CPC Central Committee, our party has proceeded from the actual reality of China to carry out arduous work in order to make an exploration in both theories and practice. We have realized that we are still in the initial stage of socialism. Therefore, we have accordingly worked out a series of correct lines, guiding principles, and policies in order to promote the development of the productive forces and social progress. This is an important theoretical achievement resulting from a correct understanding of the national conditions of our country. It is also a matter of profound significance for the development of scientific socialism.

#### **Four Historical Social and Economic Changes Since the Third Plenary Session**

*40050104i Beijing HONGQI [RED FLAG] in Chinese  
No 23, 1 Dec 87 pp 42-43*

[Reference material collated by Zhao Zhongsan [6392 0112 0005]]

[Text] In the short span of 9 years since the 3d Plenary Session of the 11th CPC Central Committee through the 12th National Party Congress to the 13th National Party Congress, we have, as a result of firmly grasping the key task of economic construction, achieved steady economic growth, with economic results in 1986 quadrupling the 1978 figures in the following three areas: Gross national product was increased by 103 percent to 938 billion yuan; state revenue was increased by 102 percent to 226 billion yuan; and the per-capita living expenditure income of urban and rural inhabitants was increased by 139 percent to 490 yuan. "With the development of production, we are beginning to resolve or have found ways of resolving some of the serious social and economic problems that have been bothering us for a long time."

1. We have basically solved the problem of food and clothing so that the overwhelming majority of our population of 1 billion people are adequately fed and clothed. In 1978, the net per-capita income of a peasant household was 134 yuan. This figure reached 424 yuan by 1986, an increase of 216 percent compared with 1978, or 170 percent in terms of real growth after allowing for price rises. The per-capita living expenditure income of an urban worker household was 316 yuan in 1978. The figure soared to 828 yuan in 1986, an increase of 162 percent over 1978, or 82.5 percent in real terms after allowing for price rises.

Following the improvement in the standard of living, the lives of the masses have been bettered not only quantitatively but also qualitatively in terms of what they eat

and wear, their housing conditions and other consumption items. The per-capita consumption of the urban and rural inhabitants has increased. For example, the consumption of edible oil increased from 1.6 kilograms in 1978 to 5.2 kilograms in 1986; pork, beef and mutton from 8.4 kilograms to 15.7 kilograms; poultry from 0.4 kilograms to 1.7 kilograms; eggs from 1.9 kilograms to 5.3 kilograms; aquatic products from 3.5 kilograms to 5.4 kilograms; silk from 0.3 meters to 0.9 meters; chemical fiber and blend fabric cloth from 1.4 meters to 4.8 meters; and cotton cloth from 6.1 meters to 6.5 meters. As for the average ownership of durable consumer goods per 100 persons, the number of bicycles increased from 7.7 in 1978 to 24.3 in 1986; sewing machines from 3.5 to 10.3; wristwatches from 8.5 to 39; washing machines from nil to 4.1; electric fans from 1 to 8.1; television sets from 0.3 to 8.7; and tape recorders from 0.2 to 4.9. As regards the living space of the urban and rural inhabitants, between 1978 and 1986 new houses with a floor space of 1.1 billion square meters were built in the urban areas, while new houses with a floor space of 5.1 billion square meters were built in the rural areas. The per-capita living space of the urban inhabitants increased from 4.2 square meters in 1978 to 8 square meters in 1986; while that of the rural inhabitants increased from 8.1 square meters in 1978 to 15.3 square meters in 1986. Savings of the urban and rural inhabitants also showed a substantial increase of 960 percent from 21.06 billion yuan in 1978 to 223.8 billion yuan in 1986. Some of the regions and people who have become better-off ahead of others are well on their way to affluence.

However, we should also see that a small number of people are still living in relative poverty, that about 36 million rural inhabitants still have problems as regards food and clothing, and that about 20 percent of the urban and rural households have suffered a drop in their real income over the last 2 years. Nevertheless, as the reform accelerates and intensifies, these problems can be satisfactorily resolved and the livelihood of the masses will gradually improve.

2. We have basically solved the employment problem. In our country where the population is huge and the economy is not well developed, employment remains an important social problem. China has an urban population of over 200 million people. Over the past 9 years, more than 70 million people have found jobs. In order to invigorate the economy and solve the problem of urban employment, the CPC Central Committee and the State Council resolved in 1980 to formulate principles and policies for the reform of the employment system. First, the system of unified state control over employment was reformed. Second, the structure of employment was readjusted. Third, a system of training before employment was step by step instituted. Fourth, labor services companies were set up and developed. As a result the rate of people waiting for employment in the urban areas dropped from 5.9 percent in 1979 to 2 percent in 1986, thus basically solving the long-standing problem of unemployment among the young people. The rural areas

have a total population of between 700 and 800 million people, of which between 300 and 400 million people are engaged in labor. Due to the rapid development of town and township enterprises over the past 9 years, some 80 million people among the rural labor force changed over to nonagricultural production either totally or partially as new venues for employment were opened up. This is a pioneering move in socioeconomic development since the founding of the People's Republic. This not only reflects the fact that changes in the rural economic structure have brought about changes in the distribution of labor, but, more importantly, that an effective way has been found to transform our country from a backward agricultural country with the peasantry making up 80 percent of its population into a modern industrial nation.

3. We have basically reversed the situation where consumer goods are always in dire shortage. Our strenuous efforts in developing commodity production and in reforming the system of commodity circulation over the past 9 years have brought about prosperity in the domestic market. In 1986, the total volume of retail sales amounted to 495 billion yuan, an increase of 220 percent over 1978. This is a rare record. When we compare the retail sales of various consumer goods for 1986 as against the corresponding 1978 figures, we see the following increases: grain, 98.8 percent; edible oil, 3.2 times; pork, 55.2 percent; beef and mutton, 1.9 times; poultry, 4.1 times; eggs, 3.9 times; sugar, 100 percent; chemical fiber cloth, 2.7 times; cotton cloth, 7.7 percent; woolen piece goods, 2.6 times; silk, 2.4 times; woolen yarn, 3 times; television sets, 38.9 times; electric fans, 31 times; cameras, 8.4 times; and washing machines, 3.2 times. In the past, people not only had to queue up when they did their shopping but could not choose what they bought; now they can pick what they want and shop around.

There are a number of problems which we must take note of at present. These problems are: There has developed an imbalance between total supply and total demand in the retail market in recent years because the people's purchasing power can no longer be satisfied by market supply; there is a shortage of marketable goods because the product mix and the demand structure are not well matched; instances where the interests of the consumers are infringed upon are often reported because market management cannot catch up with the changing situation and because prices have gone up quite considerably. These problems are now being resolved by the state through the intensification of reform.

4. The major economic sectors have gradually come onto the track of more coordinated development. Basically speaking, development of the major economic sectors has been fairly well coordinated since the Third Plenary Session. Agriculture and light industry, which were quite weak in the past, have been strengthened. An improvement is seen in the ratio between the three sectors of agriculture, light industry, and heavy industry. Equal

attention has been paid to consumption and accumulation. While improving the people's living standards, efforts have been made to keep accumulation at a stable level. In the total value of industrial and agricultural production, the ratio between agriculture, light industry, and heavy industry was readjusted from 24.8:32.5:42.7 in 1978 to 26.4:35.1:38.5 in 1986. In the amount of national income spent, the ratio between consumption and accumulation was readjusted from 63.5:36.5 in 1978 to 65.4:34.6 in 1986. In investment in capital construction, the ratio between productive and nonproductive investment was readjusted from 79.1:20.9 in 1978 to 60.9:39.1 in 1986. Of this, investment in housing was increased from 7.8 percent in 1978 to 24.2 percent in 1986. The fact that serious imbalances between the major economic sectors have been basically reverted has played an important role in boosting our industrial and agricultural production and gradually improving the people's livelihood.

However, "there is still a tendency to seek quick returns in economic work and the problem of total social demand surpassing total supply is yet to be fundamentally resolved." Thus, we must strive to stabilize the economy while carrying the reform to still greater depth.

### **Honesty Is a Scientist's Virtue**

40050104n Beijing HONGQI [RED FLAG] in Chinese  
No 23, 1 Dec 87 p 43

[Article by Zhang Xijin [1728 6932 6855]; excerpted from QUNZHONG [THE MASSES], No 9, 1987]

[Text] Thomas Robert Malthus was a representative figure of British classical political economics. He had done a lot of research on the population question and on economic problems. There is much in his work which we can make use of or indeed affirm. However, it was precisely this Malthus who was sternly criticized by Marx. According to Marx, "the fact that he took his cue from somebody else when drawing conclusions on science rather than doing so without any inhibitions" was a clear revelation of his despicable behavior. Marx called it a "crime against science" to "fabricate one's conclusion in the sphere of science."

What honesty in science means is that in the course of scientific research, one must proceed from materials available for research and seek a logical conclusion from the inner links present in things. As long as the conclusion drawn has grasped the essence of the matter, one must have the courage to uphold it however great the outside pressure may be. This is an extremely important virtue for people engaged in scientific research. Because Malthus violated this code of conduct in his research, he was naturally most severely criticized by Marx. Standing in sharp contrast to Malthus was his contemporary David Ricardo, a British economist. Although Ricardo's viewpoints were by and large objectively in keeping with the interests of the industrial bourgeoisie, he saw nothing despicable in them because he followed the "objective"

and "scientific" principle in his research. For this reason, he was able to oppose the bourgeoisie without scruples when sharp contradictions arose between the bourgeoisie and the interests of the development of labor and production of mankind. Thus, although Marx criticized Ricardo's theories, he still praised Ricardo for being fair and just on matters of science and highly commended him for his virtue of "honesty in science."

In fact, any scientific worker of integrity can consciously take honesty as his moral code of conduct. Franklin, a noted American physicist of the 19th century, saw loyalty and honesty as an important guiding principle when setting a code of conduct for himself; Feuerbach, the renowned German materialist philosopher, also considered honesty "a major virtue of scientists." Marx himself took great pride in the fact that he was able to scrupulously abide by the principle of honesty when carrying out scientific research. In 1859, he wrote in the preface to "A Critique of Political Economy": "My views, however they may be judged and however little they coincided with the interested prejudices of the ruling classes, are the result of conscientious investigation lasting many years."

Of course, upholding honesty in science is by no means an easy task. It also calls for bravery to defend the scientific truth when the truth one has discovered has offended the dignity and interests of certain people. In the early 16th century, the Spanish physiologist Sai-er-wei-te [1049 1422 4850 3676] put forward the theory of blood circulation in the lung after long years of dedicated research. He was persecuted for this because this theory was contrary to the view that "blood is produced in the liver and stays in the veins" supported by the church. However, he still said fearlessly: "I know I shall die for my theory and for the truth, but this is not going to blunt my courage." In the end, he was burnt to death. We can say that Sai-er-wei-te had, with his blood and life, set a brilliant example for later scientists.

Scientific research is a developmental work which explores truth. It not only requires the scientific attitude of seeking truth from facts, but also calls for an uninhibited spirit of dedication. If we strive to subject science to viewpoints deduced from outside science rather than from science itself, viewpoints unrelated to science that are dictated by external interests, and if we submit to outside pressure and fabricate our conclusion in an effort to supplicate for certain personal interests, we will only lead scientific research astray and therefore be spurned by all genuine scientific workers. Actually, honesty, that is, being able to persistently seek truth from facts and uphold the truth, is expected not only of scientific workers, but also of each and every one of our comrades from all walks of life, as well as each and every one of our state functionaries, particularly the leading comrades. Is it not so?



**Ninth Lecture of the Forum on Socialist  
Commodity Economy: Production Costs of  
Products of Socialist Enterprises**  
*40050104j Beijing HONGQI [RED FLAG] in Chinese  
No 23, 1 Dec 87 pp 44-46*

[Article by Zheng Zhixiao [6774 1807 2556]]

**[Text] I. Production Costs of Products and Their Structures of Socialist Enterprises**

Any form of production of society must consume a certain amount of labor, though not every society takes this into account. Cost calculations take place in a commodity economy only when a producer compares the production costs to the results of production. The so-called cost refers to a certain part of expenses related to production which must be consumed in every production process and is compensated with only after the sale of products. Profits of an enterprise are achieved by deducting the cost from its revenue derived from the sale of its products.

The production costs of a socialist enterprise is the monetary manifestation of the means of production consumed in the production process of products, labor remunerations paid to laborers and other management charges paid by an enterprise. To a large extent, the cost structure of products by every department and trade varies greatly because of differences in the production characteristics and the nature of products. Generally speaking, the consumption of materials accounts for a large portion of the costs, which is comprised of raw and processed materials, fuel, power, depreciation and maintenance charges. In China's processing industries such as textile, machine-building, tobacco and chemical industries, such consumption of materials accounts for 80 to 90 percent of the costs. This portion was 68.4 percent of China's 1986 gross output value of independent accounting industrial enterprises.

Remuneration paid by an enterprise to its laborers constitutes another portion of the production costs of products. This portion is made up of basic wages, floating wages, welfare funds for staff and workers and posts allowances. Furthermore, a certain amount of administration charges must be paid in the course of production of products. These charges may nevertheless be broken down into expenses relating to materials consumption and labor remunerations for administrative personnel.

In order to strictly implement the independence of accounting, the state and the Ministry of Finance have formulated specific regulations on the contents of costs, the scope of expenses, the standards of expenses payments and the collection and disbursement of the production expenses; and nobody is allowed to calculate all expenses relating to an enterprise as the cost. Whether or not an item of expenses has been paid, such item should be calculated as cost of the current period provided that

it should be borne as cost in the current period. Any item of expenses which is not to be borne in the current period as cost should not be borne as cost of the current period even though it has been settled. For example, investments in capital construction, funds for special purposes and additional expenses for operation should not be calculated as costs.

To correctly calculate the cost and analyze the cost structure are significant in promoting the development of socialist commodity economy and improving the economic results.

First, by correctly calculating the cost we may know rather precisely and better the production consumption of enterprises and society and let such be compensated through sales, so as to ensure a smooth progress in reproduction. If the calculation of costs is incorrect and we leave out some of the items, the compensation of production costs will be insufficient, the circulation of funds will enter into troubles, and reproduction will be difficult. But if we indiscriminately apportion expenses as costs, the fiscal revenue of the state will be adversely affected and we shall bring chaos to reproduction.

The production costs of products are also important data whereby business decisions are made. Production becomes economically feasible only when the products made therefrom are marketable, when there are conditions for production and when the revenue derived therefrom exceeds the payment of expenses. To practice optimum cost planning and to produce with a minimum cost the best products badly needed by society and the people are the significant contents of decisionmaking by modern enterprises.

Second, by correctly calculating the cost and analyzing the cost structure we can promote an in-depth development of reforms among enterprises and improve their management skills. Eventually, the results of business management and whether or not the initiative of laborers are fully mobilized will be reflected as the production costs of products and revenue derived therefrom. Examining which part of the cost is rational and necessary, which part is irrational and wasteful, determining what brings about overspending or savings, and finding out which segments of the chain of production will carry out well and which have more potential are in fact the process of analyzing the management and organizational systems of an enterprise. If workers of an enterprise care neither about the production nor the cost, or the business managerial personnel have neither the pressure nor the incentive to reduce the production costs, there will be high consumption and poor economic results. This shows that the business management system of and the method adopted by this enterprise are incorrect and must be improved.

The level of production costs of products by an enterprise is not determined by that enterprise alone. The production of and exchange among enterprises in a



socialized large-scale production are depending on each other. The production costs of a product by an enterprise are subject to the influence of the status of a number of raw materials producers and other enterprises. In return, the production costs of its products exert influences on other enterprises and will eventually affect the consumers. But the production costs of all products by these enterprises are subject to the influence of the planning system, the pricing system, the market system and the structure of industry. A perfect market and rational prices may reduce the production costs of products. Otherwise, it will be difficult to reduce the costs.

Third, only by correctly calculating the cost can we reduce the production costs and quickly improve the economic results. The production costs are inversely proportional to the economic results. Assuming that the product price is fixed, high production costs therefore mean poor economic results; otherwise, there will be good economic results. If an enterprise cannot reduce its production costs, the tax and profits to be delivered and retained will be less, thereby affecting the expanded reproduction of the enterprise and the pace of improving the living conditions of staff and workers. It will also adversely affect the national income and fiscal revenue of the state. If the production costs of industrial products by nationwide enterprises are reduced by 1 percent, the state revenue will be increased by billions of yuan. The reduction of production costs, particularly the consumption of embodied labor, will not only determine the destiny of an enterprise amidst keen competition but has also become a major factor for us to solve the long-standing issue concerning the poor economic results and the increase of the accumulation.

Fourth, the practice of pricing mainly depends on the production costs of products, which affect prices through two channels. On the one hand, the costs determine the minimum prices of commodities. Marx pointed out: "The minimum level of the sales price of a commodity is prescribed by the production costs of the commodity." ("Collected Works of Marx and Engels," Vol 25, p 45) On the other hand, the reduction of production costs is the condition for stabilizing the prices and reducing the commodity price. If we do not correctly calculate the cost or try all means to minimize the expenses relating to production, or if we pay no attention to the cost, the production costs will remain high and it will be impossible to stabilize or reduce the price.

## II. Factors That Determine and Influence the Production Costs of Products

There are many factors that determine and influence the production costs of products. Generally speaking, they are as follows:

First, the technological level and technological structure of production. In terms of materials, the production process of an enterprise is made up by a certain amount of means of production as well as labor force which is

necessary to use these means of production. A constant ratio must be maintained between the two. This is the technological structure of production. A flexible structure of capital is the structure of capital which is determined by and reflects changes in this ratio. The technological level of production is determined by the development of science and technology. In the wake of enhancement of production technology and management skills, the means of production promoted by the same amount of labor constantly increase, and so does the productivity of social labor. Consequently, the structure of capital becomes more flexible and this trend determines changes in the structure of the production costs of products. That is, the proportion of materials consumption gradually increases while that of wages gradually decreases. For example, the proportion of materials consumption by independent accounting industrial enterprises owned by the whole people to China's overall production costs of products was 84.9 percent in 1952, 90.3 percent in 1972, and 91.2 percent in 1983. The proportion of wages in these 3 years were 15.1, 9.7 and 8.8 percent respectively.

The application of science and technology greatly affects the production costs of products. On the one hand, by adopting new technology and introducing new equipment, an enterprise spends more on the means of production, thereby pushing up the overall production costs of products of the enterprise. On the other, science and technology improve the productivity of labor and the efficiency of means of production, as well as reduce the embodied labor and labor consumption per unit product, thereby reducing the production costs of products.

Second, the management skills of enterprises. When an enterprise has a high management skills, it knows the market so well that it will readjust the structure of raw and processed materials, improve the variety and quality of products at the right time, and avoid overstocking and wasting products, thereby reducing the production costs of products. Otherwise, an enterprise with poor management quality will not improve its management skills and its production costs of products will increase.

Third, the production and business scale of enterprises. An appropriate production scale can fully utilize the production capability of the existing plants and equipment. The depreciation and management charges of the plants will be shared by more products. All personnel of the enterprise will also be fully utilized. In addition, it will be able to and promptly adopt new technology and techniques. This kind of expenses will be reduced in terms of expenses being shared per unit product. There will be no idle labor force or overstocking of raw and processed materials, thereby reducing the production costs of products.

Fourth, the situation of and the purchase price for supplying the means of production. This is an important external factor that affects the production costs of products by an enterprise. An enterprise must have certain

requirements about the quantity, quality, variety and specifications of its means of production. If these means of production are insufficient or fail to meet the required ratio, the quality standards, the specification requirements or otherwise, the production costs of products by this enterprise will be increased. For instance, the production capability of many industrial enterprises will be unable to be fully utilized when there is a shortage of raw materials, energy resources and manpower and when the demand for transportation becomes tense. A large amount of industrial raw materials, fuel and products will be piled up because of this. Such is one of the important causes why China has had high production costs of industrial products for a long time. An irrational choice of the site of a plant will also make the situation of supplying the means of production worse.

To correctly calculate the cost, it is required that we must reflect the value of a product through its price. If the price of the means of production differs greatly from their value, the following situation may take place: First, having the means of production with their price lower than their value will cause their production consumption unable to be sufficiently compensated, thereby undermining the production initiative in this respect. Also, the production costs of enterprises which use these means of production cannot reflect the actual level of consumption, and there lacks the pressure on them for reducing the production costs. Second, having the means of production with their price higher than their value will push up the price of products and cause the producing enterprises to earn big and extra profits without making any effort. This will therefore affect its initiative of reducing the production cost while increasing the expenses relating to the use of the enterprises.

Fifth, productivity of labor and expenses concerning wages. An improvement of productivity of labor will reduce the amount of labor consumption per unit product. If the growth rate of wages is lower than that of productivity of labor, the expenses concerning wages per unit product will be reduced. Otherwise, these expenses will be increased.

### III. Ways To Reduce Production Costs

It has been a long-standing issue that China's industrial and agricultural production is characterized by high production costs and poor economic results. For example, the production costs for deriving each hundred yuan of sales revenue was 68.6 yuan during the First 5-Year Plan, and it increased to 75.5 yuan during the Sixth 5-Year Plan. Despite reforms and the strengthened management over the years, and though many enterprises have reduced their production costs, the overall situation remains quite prominent. Between 1980 and 1983, the comparable cost of China's independent accounting industrial enterprises owned by the whole people increased by 0.6 percent on average. Also, according to a survey conducted in 1985 on 170 kinds of products by over 3,000 industrial enterprises across the country, the

production costs of products such as nonferrous metals, metallurgical goods, chemical products, light industry and textile products, silks and satins were respectively 0.45, 18.75, 20.81, 11.49, and 12.95 percent more than in 1983. Of these 170 products only 25 had their production costs reduced.

There are many reasons contributing to an increase of the production costs. Judging from the structure of production costs, the increase of materials consumption is the major cause for such increment. For instance, in the first half of 1987, the proportion of materials consumption by China's independent accounting industrial enterprises increased from 67.5 percent in the previous year to 68.9 percent, which means a loss of over 7 billion yuan of net output value. Other causes besides the pricing of raw and processed materials and energy resources were the poor management of enterprises whose consumption was high and wastage was great. The industrial materials consumption of China accounts for some 75 percent of the production costs; whereas that of the developed countries accounts for less than 50 percent of their costs. This is of course related to China's low wages. But the major cause is the excessively high level of materials consumption. For instance, China's overall consumption of steel for producing each \$100 million of GNP is 2.7 times higher than that of the United States and one-third more than that of the Soviet Union. Over the years, the coal, electricity and oil consumption of one-third of China's enterprises and units is still higher than their record levels. The consumption level among enterprises of the same trade also varies greatly. This shows that there is much room for China to reduce the level of materials consumption.

The basic ways for reducing the materials consumption are to actively develop technological innovations and launch technology revolutions, so as to greatly enhance the rate of utilizing the materials and reduce the materials consumption per unit product. Specifically speaking, we should pool our efforts in the following areas:

First, we should improve the efficiency of and the rate of utilizing the production equipment. At present, China is using equipment of the 1950s and the 1960s. The performance of more than half of them are backward. For example, the oil consumption of diesel engines and gasoline engines is about 10 to 20 percent higher than that of other countries. The rate of efficiency of water pumps and air pumps is 10 percent lower than that of other countries. The rate of heat radiation of most industrial boilers is about 30 percent lower than that of other countries. Many enterprises also face problems of having an insufficient amount of work and letting the equipment lie idle. Therefore, through practical policies and measures, we must promote and support these enterprises to systematically transform and replace their outdated equipment by new, energy-saving and efficient ones. We must also encourage them to properly handle outdated and idle equipment so as to improve the rate of utilizing the equipment in operation.

Second, we should strengthen the management of enterprises. At present, the management of many enterprises is so confused that their materials management, as well as their measurement, testing and inspection system of materials in stock are imperfect. There is no scientific management of warehouses so that the situation of pilferage, stealing, and theft has been very serious. Some materials are purchased without sound judgment and therefore degenerate and deteriorate as a result of overstocking. On the management of cost, many enterprises have neither strictly followed the designated amount of materials consumption in their production process nor have a unified standard of assessment. On the management of quality, many products are so poor and the wastage is so high that such production has wasted a large amount of materials. In order to strengthen the management of enterprises, we must first adopt scientific management methods and practice the management of materials by category. Furthermore, we should use such advanced means as linear programming and value engineering to organize and manage the production process. Thus, we are able to strictly and accurately follow the designated amount of materials consumption. Second, we must perfect the system of assessing materials consumption and practice the whole process of management which includes the cost projection, cost planning, cost control, cost accounting, cost analysis and assessment of cost. We should actively promote the responsibility system of cost and link the reduction of materials consumption to the economic benefits of workers in the production, business management, designing, technological, technology, and supply and marketing departments. Thus, the whole staff and workers of the enterprise will firmly establish the concept of cost and will suggest ways and means for reducing the materials consumption. Third, we should set a rigid scope of cost allocation so that it can really reflect the actual consumption level of the production costs of products by enterprises.

Third, we should spend great efforts on product designing and the production techniques. Many of China's product designs are irrational and the production techniques are backward. Consequently, a large amount of raw and processed materials as well as energy have been wasted. In order to improve the product design, we must adopt the advanced production techniques and actively conduct research on and use new materials as well as appropriate low-cost raw material substitutes. This will greatly reduce the expenses relating to the amount of materials consumed by each product.

Fourth, we should, in terms of macroscopic economics, continue to rationally readjust the structure of industry and the production layout. We should realize the rational and comprehensive utilization of natural resources. In particular, we should stress strengthening the investment in and management of energy resources, transport and other weak areas. At present, we must strictly check the phenomenon of hiking prices and indiscriminately apportioning expenses so as to alleviate the economic

burden of enterprises. We must also avoid increasing the price of the means of production so rapidly that the transformation within and the process of assimilation by enterprises will be hindered.

In order to reduce the production costs of products, we must also try to reduce the labor consumption. In order to economize the labor consumption and reduce the expenses relating to the labor remuneration of the production costs, we must proportion wages to the production costs per unit product. We should retrench and make appropriate arrangements for redundant personnel of enterprises, and merge and streamline the administrative organizations. We should link the economic results of enterprises to the economic results of each staff and worker, while putting stress on improving the technological level and ideological quality of staff and technicians. Of course, the wages of staff and workers should be increased in the wake of improving the productivity of labor. But the average growth rate of wages must be lower than that of the productivity of labor. We must prohibit enterprises from arbitrarily giving "bonuses" and classifying such payments and payments in kind as costs.

#### **Discussing 'Scramble for Power'**

*HK211400 Beijing HONGQI [RED FLAG] in Chinese  
No 23, 1 Dec 87 p 47*

[Article by Zhang Yusheng [1728 7183 3932]]

[Text] The leading body of a factory was incompetent. The whole of its knowledge structure, management ability, and political level was unsuitable to the development of modern production and the market economy. In view of this, two factory technicians published a "letter of intent," suggesting that they organize a new leading body to take charge of the factory's administrative affairs. They pledged to double its profits and taxes and increase the workers' income by 20 percent within a year. After careful study and discussion, some experts held that this was appropriate. The masses also supported the suggestion. However, the matter has been suspended. It is said that there are different opinions among the leaders at higher levels. One leader said: "If we let those two organize a new leading body, what will the masses think? Is it a case of scrambling for power or a case of seizing power?" This indicates the thinking of some leaders.

"Scrambling for power" has always been regarded as an expression of selfishness and wicked ambition and is always held in contempt by honest people. We cannot say that this is entirely wrong. In real life, there actually are some people who are obsessed with the desire for power. For example, Lin Biao, who died in an explosion, adopted extremely sinister and ruthless means to "seize power before the conditions were ripe." As a result, just like the saying "clever people may be victims of their own cleverness," he came to a disgraceful end. The smashing of the "gang of four" was also a result of their conspiracy to usurp power. The so-called "taking over

power" during the 10 years of internal disorder was not honorable either. A few rascals, in collaboration with several "brothers," rushed to the office of the leaders, beating people and smashing things and, with the official seals hanging on their belts, declaring that the power had returned to the hands of the "proletarian revolutionaries." All this was, in essence, a farce of anarchism resulting from the upsurge of "leftist" ideology. Even to this day, we are still not able to say that "scrambling for power" with selfish motives has been stamped out in our country. It is prudent for people to still be on the alert against such things. However, it may not be true that all "powers" should not be "scrambled for," if we can ensure that the people's power will not fall into the hands of bad people.

In an enterprise, the power of the plant director or manager is used to organize and administer modern production. This has been clarified since the focus of the party's work was shifted to the development of productive forces. The problem is that the person in power may not be really qualified and competent. Thus, if someone who is really competent tries to "scramble for power" with a motive of running the enterprise better and takes it over from an incompetent leader, he should not be condemned but should be praised and encouraged.

A question that merits our consideration is why are there some incompetent officials in our leading posts, who can never work at the lower levels once they have been promoted? An important reason that perhaps cannot be ignored is that "scrambling for power" through normal competition is not allowed. It seems that it is imperative to introduce the mechanism of competition into our cadre system. In competition, the cadres should have real ability so that the masses can have faith in them. They cannot be appointed merely by the approval of a certain leader at a certain level. In this case, people like Zhang Tiesheng and Mr Nan Guo, as well as flatterers, will disappear from our cadres' ranks. Our practice of reform proves that very few cadres who have taken the leading posts through competition are incompetent. The Beijing Shoe-Tree Factory was one of the first units to introduce the mechanism of competition into the personnel system of the enterprise and to select plant directors through public bidding. Through competition, Li Maogui, who was originally a technical worker, became the director. Then he reorganized the leading body of the factory, cut down the number of middle-level cadres, and established a series of regulations and systems. As a result, the factory, which had suffered losses despite nine changes of directors, soon made up the deficits and increased surpluses in as little as 3 months. This fully shows the advantages of selecting and promoting cadres through competition.

In the final analysis, the crux of the question of "scrambling for power" does not lie in "scrambling," but in the purpose of "scrambling." The question is not whether to "weaken" or to "strengthen" the desire for official posts, but the reason for being in an official post. If one

scrambles for an official post for the purpose of making other people suffer or for one's personal benefit, this desire should certainly be overcome. But if one does so for the purpose of promoting construction and for the interests of the state, this desire should be strengthened. To encourage competition, there must be some who dare to compete with others. Enhancing the sense of competition among our cadres is a new concept that we should establish.

**Luxuriant Hills on the Edge of the Wilderness—  
Reading the Novel 'Aeolian Bells on an Ancient  
Pagoda'**

400501041 Beijing HONGQI [RED FLAG] in Chinese  
No 23, 1 Dec 87 p 48

[Article by Gu Xiang [7357 7534]; originally published in HUAREN SHIJIE [WORLD OF THE CHINESE], No 2, 1987]

[Text] Lu Yanzhou [7627 1750 0719] has lived up to his artistic mission as a writer and his writings have keenly and promptly portrayed the great era of our march from chaos to reform. His novel "Tianyunshan Chuanqi" [The Legend of Tianyunshan] is considered a masterpiece of the genre called reflective literature. He set the example of devoting a whole novel to depicting life during the rural economic reform with the publication of "Caihongpeng" [The Rainbow Ground]. Amidst the current reform of the political structure, his second full-length novel "Aeolian Bells on an Ancient Pagoda" with the reform as its theme has come out.

Literature explains policies by graphic means and is appendaged to politics. There should not be any overlapping of roles. However, politics after all is the concentrated expression of the interests of the masses in real life. Chinese literature, as the people's literature, has long had the fine tradition of being concerned with current issues and sharing the anxieties of the country and its people. The question is, literature must view politics from an aesthetic angle and convey politics through the means of artistic creation. What "Aeolian Bells on an Ancient Pagoda" discusses is the question of the reform of the cadre system, which is the most pressing issue in the reform of the political structure that must be resolved in the course of our historical advance. The novel bears strong characteristics of our era because it deals with a very sensitive and pointed issue. However, the novel does not attempt to provide a sociological answer to the issue. The writer attempts, through his artistic touch and by combining historicism with reality, to mold a number of typical characters and portray their past and destiny amidst changes in the political arena. This makes the novel excel others in terms of subject matter, which means that it will probably enjoy a long artistic life. Li Yongzhen, deputy party secretary of the CPC Committee of City A, has an unusual past. Widowed when she was still very young, she obtained position and power through the political influence of her late husband. When the tides of reform advanced, she stuck

to her old ways and clung to her position and power. Initially, Li Yongzhen was just an innocent and beautiful girl, but after establishing herself in an important post, she wallowed in the pursuit of power. The personality development of this character is rich in political, moral and historical contents. Li Zhuoru is a very meaningful image of a new generation of people of the era of reform. Rather than concentrating on the contributions and activities of Li Zhuoru in the great cause of reform, the author has, through looking at the past history of the character, enabled us to see how Li Zhuoru, with his persistence and firmness of will, has ridden on the tides of reform and mounted the political stage. In Lu Yanzhou's works, the principal characters often appear rather idealistic. The image of Li Zhuoru is hard to come by in the portrait gallery of contemporary literary figures because he is portrayed as someone with ideals who does not have the pitfalls of being homogeneous and too pure as some "reformers" were made to appear.

Lu Yanzhou is a versatile writer who writes not only novels but also scripts for drama, films and television drama. He often infuses literary elements into drama and films, and makes use of drama and film techniques in his novels. Perhaps people who prefer to "water down" the plots in works of literature may disapprove of his practice. They may argue that it is only against a "watered down" plot that life will appear "real." This may be right. But then art must typify life. Even Marx acknowledged "the vividness and richness of Shakespeare's plots." Thus, it is all right to adopt the "stream of life" approach or to employ "dramatic plots" which can epitomize life and fascinate the reader. The two approaches should be allowed to coexist and prosper together. They both have their strong points and there is no need to favor one over the other. The plot of "Aeolian Bells on an Ancient Pagoda" is rather intriguing: The desirable post of city party secretary is about to be left vacant because Xiao Mu is past the retirement age. Li Zhuoru, who contests with deputy city party secretary Li Yongzhen for this post, turns out to be a long-lost nephew of hers; and Cong Rong, the newly appointed provincial party secretary who backs up Li Zhuoru in his endeavors, turns out to be a former lover of Li Yongzhen's. Political conflicts and family disputes are entwined. The distinguishing feature of this novel is that it meticulously and fully describes the inner world and emotional life of the characters within the framework of a dramatic plot. Throughout the story, the author employs the technique of internal soliloquy to truthfully yet unhurriedly anatomize the mentality and subjective feelings of his characters and to show the flow of their feelings, ideas, recollections, associations, illusions. He digs into the most hidden corners of their hearts and penetrates into the deep structure of their mentality. He shifts from their consciousness to their subconsciousness and then back to their consciousness again. Following her change in status since becoming the wife of a senior cadre, Li Yongzhen is conscious of her power. In her heart looms a sense of happiness and contentment. This

figuratively tells the reader the corrosive effect individualistic authority has on human nature. Here, the author is no longer describing the mentality of an individual but is looking at the culture and mentality of the nation. He has skillfully combined a story of plots with a story of mental states. This is worthy of attention in the exploration of the art of the novel. The author obviously has made use of the "stream of consciousness" technique, but it is by no means a blind imitation. In the novel, one does not find unconnected associations or disorderly flashes back and forth. It is completely in keeping with the conventional narrative habits of Chinese novels and is therefore Chinese in nature.

This novel has a kind of built-in masculine strength because it reveals the contradictions and conflicts created by current major political issues. However, the artistic strength of this novel lies in the fact that it enables the reader to ponder over the destiny of the characters, the value of life, human nature and human feelings. The author is adept at the use of elegant, fresh and lively language. His description of the environment and the mentality of the characters has a romantic touch about it, giving it a kind of feminine beauty. This combination of the masculine strength and feminine beauty is the aesthetic style of the novel.

#### **A Bundle of Brilliant Flowers—A Review of Contemporary Prints**

40050104m Beijing HONGQI [RED FLAG] in Chinese  
No 23, 1 Dec 87 inside back cover

[Article by Wang Wei [3769 3837] and Guo Xingyuan [6665 5281 0337]]

[Text] Prints are a bundle of brilliant, fragrant flowers in the garden of the art of painting. Although they cannot create as imposing an impression as do oils and landscapes, they attract people with their unique language. They offer an altogether different taste than other types of paintings. In recent years, many professional and part-time artists have worked assiduously in the area of prints and created many a masterpiece that breathe of life and show vivid characteristics.

"Extension" is the creation of a young man from Daqing. The artist has borrowed the surface composition technique of modern art and applied himself to the application of different shades of black and white, paying little attention to the detailed portrayal of the trivialities of life. He is thus able to present pipelines—which are commonplace things in an oil city—with breathtaking artistic appeal. In the picture, the radiating straight pipelines seem to be rumbling toward you from afar; the sun penetrates through the gaps between the pipelines, making a fragmentary yet harmonious world of light and shadow. From the interweaving of black and white and the perfect blending of light and shadow, we seem to hear a lively and sonorous sonata. It is precisely through the symphonic melody created through the blending of black

and white that we sense the dynamic strength characteristic of a scene of modern industry, the breadth of vision of the petroleum workers and their inexhaustible creativity.

"The Mountain Stream" gives us an altogether different impression. While retaining the style of a woodcut, this print is reminiscent of a Chinese ink painting. The moving clouds, the flowing water, the rugged rocks and the sturdy trees in nature seem to have touched on certain aspects of the experience of the artist, so that each blade of grass and each piece of rock seem to be soaked through with his thoughts and feelings. When we study this print, we seem to be reciting a meaningful landscape poem. There is no need to affect outbursts of lamentations, for all sense and reasoning are conveyed in this fresh and untouched scene of nature.

As the art of prints prospers and the extensive cultural exchange between China and the world develops, the predominance of woodcut in prints is gradually giving way to other varieties, and gratifying results have been obtained. Unwilling to be confined by established practices, many artists of prints are consciously trying out new ideas. "The Fishing Village" is the creation of a young man from Hanku. The techniques of carving, pasting and rubbing are all employed in this print. The artist seems to be declaring that the color and texture of objects are no longer the monopolized domains of the oil painters, that prints can achieve just as good an effect. Indeed, in the picture, the roof of the thatched hut, the mud walls, the wooden fence and the stones and sand all look vivid and true-to-life both in color and in texture.

The print has the charm of both copperplate engravings and woodcuts and gives a firm and solid impression. New techniques give new meanings and provide the artists with a new means of expressing their feelings. If the print does not have true-to-life and vivid expressions as its basis, the audience will not have been so strongly moved by the ardent love which the artist feels for the simple and unadorned fishing village and the industrious and kind-hearted people there.

Modern Chinese prints have gone through more than half a century of development since Lu Xun first championed the new prints movement and have now entered a new historical period. Contemporary prints are now well-known in the Chinese world of arts for their rich subject matters, varied techniques and extensive support by the masses. Besides Sichuan, the Great Barren North and Jiangsu, which have had their own history of prints, new artists of prints have steadily emerged from places like Yunnan, Daqing, Hanku, Tanku, Acheng and Yichun. In their respective localities and professions, these artists have consciously explored artistic forms that are rich in local color and created a large number of prints that are widely acclaimed by the public. There is no doubt that with the concerted efforts of a contingent of artists with part-time artists forming the main body and professional artists forming the backbone, Chinese prints will definitely be received by the world with their vivid national characteristics.

/06091

END